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CONFIDENTIAL.

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PART III.

EASTERN DEPARTMENT:

SECRET SERIES.

July to September 1911.

38

TABLE OF CONTENTS.

No.	Name.	No.	Date.	SUBJECT.	Page
1	Mr. Picot to Mr. Maxwell	..	June 20, 1911	Persian Transport Company. Details concerning syndicate. Hopes His Majesty's Government will overcome difficulties ..	1
2	Mr. O'Beirne	180	27,	Russo-German draft agreement. Conversation with Minister for Foreign Affairs as to steps to be taken if sufficient capital not subscribed ..	2
3	" "	181	28,	Trans-Persian railway. Refers to Part II, No. 80. Requests instructions as to eliciting reply to <i>aide mémoire</i> ..	2
4	India Office	..	July 6,	Buoyage and lighting. Transmits telegram from Viceroy as to desirability of light vessel and gas buoy. Further action must depend on cost ..	3
4*	" "	..	7,	Shat-el-Arab buoys. Particulars as to the boundaries of Turkish and Persian waters in weekly letter of 29th June ..	3*
5	Mr. Marling	460	3,	Anglo-French financial co-operation. Samsun-Trebizond ports. Asks what line he will take towards Porte regarding National Bank scheme..	3
6	Sir H. Babington Smith	..	3,	Anglo-French financial co-operation. Samsun-Sivas Railway. Port construction. Hindî barrages. Bagdad Railway. National and Salonica Banks' relations ..	4
7	Sir G. Buchanan	150 Tel.	11,	Russo-German draft agreement. Substance of revised text which Russian Minister for Foreign Affairs proposes to hand to German Ambassador ..	6
8	To Mr. Marling	269 Tel.	11,	Anglo-French financial co-operation. Refers to No. 5. His Majesty's Government will give National Bank official support if Russian Government agrees. To inform Porte of this ..	7
9	To M. Cambon	..	11,	Anglo-French financial co-operation. Port construction. National Bank contract settled. Opposition of Messrs. Hersent and Schneider supported by French Government ..	7
10	Mr. Mallet to Mr. Greenway	..	11,	Railways in Southern Persia. Refers to Part II, No. 114. Necessity for eventual widening of gauge. Suggests Mohammerah-Bunder Abbas line should be applied for. Deprecates 4 per cent. increase of customs ..	7
11	To India Office	..	11,	Railways in Southern Persia. Transmits No. 10. Acknowledges Part II, No. 121. Unnecessary to engage in discussions with Russian Government ..	8
12	Sir H. Babington Smith	..	8,	Anglo-French financial co-operation. Port construction. Refers to No. 6. Porte seem inclined to conclude matter with National Bank ..	8
13	M. Cambon	..	12,	Port construction. Refers to No. 9. Expresses surprise that contract should have been given to British firm, since port construction was agreed on as compensation to France ..	9

[1510]

TABLE OF CONTENTS.

iii

No.	Name.	No.	Date.	SUBJECT.	Page
14	To Sir G. Buchanan	335 Tel.	July 13, 1911	Russo-German draft agreement. Refers to No. 7. Point regarding Konieh-Bagdad Railway will not be pressed ..	9
15	Sir G. Buchanan	153 Tel.	14,	Russo-German draft negotiations and 4 per cent. customs increase. Refers to No. 14. Acting Minister for Foreign Affairs stated to German Ambassador that Russia would not bind herself to 4 per cent. increase, and would reserve right to interpret term "Bagdad Railway" as "railway as far as Bagdad" ..	10
16	Messrs. Baring Brothers	..	13,	Trans-Persian railway. Russian Government have agreed to consider indirect guarantee. Government of India's concurrence in scheme will be asked ..	10
17	Sir G. Buchanan	201	12,	Russo-German draft agreement. Transmits revised text which Minister for Foreign Affairs proposes to hand to German Ambassador on 14th July..	11
18	Anglo-Persian Oil Company	..	15,	Railways in Persia. Transmits memorandum given to Persian Minister, giving outlines of proposals of syndicate ..	12
19	M. Goukassow	..	17,	Trans-Persian railway. Memorandum as to alignment and necessity of Indian Government's support ..	14
20	To Sir G. Buchanan	195	18,	Trans-Persian railway. Refers to Part II, No. 61. Homiakoff's interview with Foreign Office. He hopes to form British group, but thinks His Majesty's Government's <i>tracé</i> too long and costly ..	15
21	Mr. Huth Jackson	..	18,	Trans-Persian railway. Conditions of formation of British group would be satisfactory guarantees and approval by Russian, British, and Indian Governments ..	16
22	Tewfik Pasha	..	19,	Buoyage and lighting of Persian Government's territorial waters means 5, not 3 miles from coast ..	16
22*	Mr. Marling	177 Tel.	18,	National Bank ready to offer participation in port construction to French. Grand Vizier's promise to sign draft agreement simultaneously with French loan for public works ..	17*
23	To Sir G. Buchanan	192	19,	Trans-Persian railway. Refers to No. 3. Does not consider it necessary to press Russia for reply ..	17
24	Anglo-Persian Oil Company	..	19,	Railways in Persia. Transmits telegram from agent in Tehran, reporting approval of Regent and optimistic views as to security ..	17
25	M. Sévastopoulo	..	20,	Trans-Persian railway. No objections to Karachi as terminus. Objections to alignment via Bunder Abbas ..	18
26	To Messrs. Baring Brothers	..	20,	Trans-Persian railway. Replies to No. 16. Government of India's views have been asked ..	18
27	Sir F. Bertie	329	17,	Anglo-French financial co-operation. Conversation with Minister for Foreign Affairs. Turkish loan. Refusal of quotation on Bourse. Bagdad Railway ..	18

No.	Name.	No.	Date.	SUBJECT.	Page
28	Mr. Marling ..	500	July 19, 1911	Anglo - French financial co-operation. £T. 25,000,000 loan. Agreement may soon be reached. French opposition withdrawn. Application of loan. Port construction	19
29	Anglo - Persian Oil Company ..	..	22,	Railways in Persia. Acknowledges No. 10. Has adopted amendments suggested by Foreign Office. Gauge question left open. Co-operation of Oil Company and Trans-Persian railway invited	20
30	To India Office ..	..	24,	Railways in Persia. Transmits No. 18. Suggests reply that His Majesty's Government cannot authorise application for extensions without consent of Russian Government	20
31	Sir H. Babington Smith ..	..	21,	Anglo-French financial co-operation. Present state of negotiation with reference to port construction	21
32	To M. Goukassow ..	..	26,	Trans-Persian railway. Acknowledges No. 19. Question will have to be referred to all authorities interested	21
33	To Mr. Huth Jackson ..	..	25,	Trans-Persian railway. Acknowledges No. 21. Memorandum will be forwarded to India	22
34	To Russian Embassy ..	..	26,	Trans-Persian railway. Acknowledges No. 25. Matter must be referred to all departments interested	22
35	To Anglo-Persian Oil Company ..	..	26,	Trans-Persian railway. Acknowledges No. 29. Question of different alignments and Government guarantee has been referred to India Office	22
36	To India Office ..	..	26,	Trans-Persian railway. Transmits correspondence. Asks for views	23
37	To Tewfik Pasha ..	Confidential	29,	Refers to Part I, No. 136. Reply to Turkish proposals. Bagdad Railway. British and Turkish interests in Persian Gulf. 4 per cent. increase in customs	23
38	Mr. Marling ..	524	25,	Anglo-French financial co-operation. Refers to No. 28. Projects for railway construction in European Turkey. Transmits article from "Gazette Financière"	26
39	Sir G. Buchanan ..	205	14,	Russo-German draft agreement. Acknowledges No. 14. Probability of Germany accepting amended draft. Minister for Foreign Affairs' indifferent attitude	27
40	To Russian, French, and German Ambassadors ..	..	31,	Bagdad Railway. Communicates reply to Turkish Ambassador (see No. 37)	28
41	India Office ..	..	31,	Railways in Persia. Replies to No. 30. Objections to course proposed	29
42	" ..	..	Aug. 1,	Koweit. Application of Wönckhaus to send agent. Sheikh has not heard from German consul, but will return answer indicated	29
43	Anglo - Persian Oil Company ..	..	1,	Railways in Persia. Transmits telegram from agent at Tehran, recommending immediate application for concession. Security to be arranged later	30
44	To India Office ..	..	5,	Railways in Persia. Refers to No. 41. Will reply to Mr. Greenway as suggested	30

No.	Name.	No.	Date.	SUBJECT.	Page
45	To Mr. Greenway ..	..	Aug. 5, 1911	Railways in Persia. Refers to No. 18. Replies as suggested by India Office in No. 41	31
46	Sir G. Lowther ..	548	2,	Anglo-French financial co-operation. Refers to No. 38. Railways in European Turkey. Ottoman Bank's loan. Details as to. German compensation. Effect on Chester scheme	31
47	Admiralty ..	..	5,	Buoyage and lighting in Persian Gulf. Refers to Part II, Nos. 96 and 102. Placing of acetylene bar-buoy will suffice for present. Position of same. Proposed lightship	32
48	Anglo - Persian Oil Company ..	..	9,	Railways in Persia. Transmits telegram from agent at Tehran, urging that draft contract be telegraphed to him	33
49	Sir G. Buchanan ..	179 Tel.	10,	Russo-German draft agreement. Refers to No. 17. German Government have accepted draft agreement, with condition that Bagdad Railway means whole extent of railway	33
50	To Sir G. Lowther ..	297 Tel.	10,	Anglo-French financial co-operation. Refers to Nos. 28 and 46. Asks whether National Bank contract as to port construction has been actually signed	34
51	Mr. Greenway ..	..	10,	Persian Railway Syndicate. Its members, board, and chairman trust His Majesty's Government will support treasurer-general	34
52	" ..	..	11,	Persian railways. Refers to No. 48. Draft contract. Have His Majesty's Government any alterations to suggest?	35
53	Sir G. Lowther ..	551	2,	Anglo-French financial co-operation. Refers to Nos. 38 and 46. French Ambassador's views as to respective spheres of French and English commercial interests	37
54	To Board of Trade ..	..	15,	Railways in Southern Persia. Transmits No. 52 and asks views	38
55	To India Office ..	..	15,	Ditto, ditto	38
56	" ..	..	16,	Bagdad Railway. Asks for copies of agreements with crucial chiefs, and how much should be communicated to Turkish Ambassador	39
57	Mr. Baker ..	..	16,	Railways in Persia. Enzeli-Bushire Railway. Proposes to apply for line from Enzeli to Tehran, Isfahan, Shiraz, Bushire. Requests approval	39
58	Mr. Greenway ..	..	16,	Railways in Persia. Transmits text of telegram sent to agent at Tehran regarding draft agreement	40
59	India Office ..	..	17,	Railways in Persia. Refers to No. 55. Terms of concession for which Persian Syndicate propose to apply. Question of southern customs and road survey	42
60	" ..	..	18,	Buoyage and lighting. Transmits draft telegram authorising surveys. Defines areas to be surveyed	42
61	Sir G. Buchanan ..	183 Tel.	18,	Russo-German draft agreement. Substance of text to be signed 19th August. Refers to Nos. 17 and 49	43

No.	Name.	No.	Date.	SUBJECT.	Page
61*	To Sir G. Barclay ..	235 Tel.	Aug. 18, 1911	Railways in Persia. Syndicate formed for. Enquires views as to basis of concession ..	43*
62	To Sir R. Rodd ..	130	18,	Bagdad Railway. Conversation with Italian Ambassador. Our consent to customs increase not conditional on Turkey ordering ships in England ..	43
63	Board of Trade ..	..	18,	Railways in Persia. Replies to No. 54. Relative to alternative forms of contract suggested by Persian Railway Syndicate ..	44
64	India Office ..	..	18,	Trans-Persian railway. Transmits despatch to Viceroy with reference to objections to proposed alignment. Asks views of Treasury and Board of Trade as to guarantee ..	44
64*	Sir G. Barclay ..	341 Tel.	19,	Railways in Persia. Two alternative forms of contract suggested by Persian Railways Syndicate ..	45*
65	Sir G. Buchanan ..	186 Tel.	19,	Russo-German draft agreement. Germany has verbally promised to construct no railways north of Khanikin "except those in Bagdad Railway concession" ..	45
66	Lieutenant-Colonel Cox	1	July 25,	Mohammerah-Khorembad Railway. Transmits Wilson's report ..	46
67	Sir G. Lowther ..	565	Aug. 10,	Anglo-French financial co-operation. Refers to No. 53. Conversation with M. Bompard with reference to Hindie barrage. Transmits latter's letter to Minister of Public Works ..	75
68	Sir E. Goschen ..	229	16,	Bagdad Railway. German press on. "Vossische Zeitung" says no agreement between England and Turkey valid without consent of interested German parties ..	77
69	To India Office ..	..	21,	Railways in Persia. Transmits No. 63. Foreign Office inclined to favour latter alternative ..	78
70	To Mr. Baker ..	..	21,	Railways in Persia. Acknowledges No. 57. His Majesty's Government would not support application for line in Russian sphere, but would otherwise be impartial with reference to British firms ..	79
70a	India Office ..	..	22,	Gas-buoy and light vessel in Persian Gulf. Transmits telegram to Government of India requesting estimate ..	79*
70b	" ..	..	22,	Transmits telegram to Government of India, asking for views as to showing to Turkish Government agreements with Trucial chiefs, Bahrein and Koweit ..	79*
71	Sir E. Goschen ..	233	21,	Russo-German draft agreement. Press comments on. Its connection with Morocco negotiations ..	79
71*	India Office ..	..	25,	Persian Gulf buoying and lighting. Refers to No. 70a. Transmits telegram from Government of India respecting estimates ..	80*
72	Sir F. Cartwright ..	143	24,	Russo-German draft agreement. Austrian press comments ..	80
73	India Office ..	..	25,	Railways in Persia. Refers to No. 69. Agrees to course suggested by Board of Trade for redemption of State bonds ..	81

No.	Name.	No.	Date.	SUBJECT.	Page
74	Sir G. Lowther ..	583	Aug. 18, 1911	Bagdad Railway. Conversation with Grand Vizier re certain points in His Majesty's Government's reply to Turkish Government's proposals ..	81
75	" ..	586	21,	Bagdad Railway. Transmits articles in "Sabah" and "Tanin" on negotiations now proceeding. Conciliatory nature ..	82
76	" ..	587	23,	Anglo-French financial co-operation. Railways in Anatolia and Albania. Arrangement with Régie générale ..	85
77	Sir G. Buchanan ..	237	23,	Russo-German agreement. Transmits text, with comments ..	89
78	" ..	238	23,	Russo-German agreement. Reports on articles in semi-official "Rossia" ..	92
79	" ..	239	23,	Russo-German agreement. Reports on views in Russian press ..	93
80	To India Office ..	..	28,	Buoyage and lighting in Persian Gulf surveys. Agrees to draft telegram with reference to Khor Abdullah and Khor Assabieh, but thinks we have admitted that El Katif coast belongs to Turkey ..	94
81	To Sir G. Lowther ..	237	29,	Anglo-French financial co-operation. Acknowledges Nos. 46 and 53. Approves language ..	94
82	India Office ..	..	29,	Mohammerah-Khorembad Railway. Refers to No. 66. Awaiting Government of India's views before making comments on Lieutenant Wilson's report. Suggests that Sheikh of Koweit be not disregarded ..	94
83	To Mr. Greenway ..	..	30,	Railways in Persia. Replies to No. 52. Opinion of His Majesty's Government as to terms of draft contract, especially as to method for preventing Persian Government buying out syndicate ..	95
84	To Mr. D'Arcy ..	..	30,	Chester scheme. Suggests that, as Chester scheme has failed, D'Arcy should renew his application ..	95
84*	India Office ..	..	31,	Transmits telegram from Government of India. Refers to No. 70 n. Sheikh of Koweit's opposition to disclosing details of agreement of 1907. Treaties with Bahrein and Trucial coast might be communicated to Persian Government ..	95*
85	To Board of Trade ..	..	31,	Trans-Persian railway. Should His Majesty's Government give guarantee? ..	96
86	To Treasury ..	..	31,	Trans-Persian railway. Should His Majesty's Government give guarantee? ..	96
87	Mr. Greenway ..	..	Sept. 4,	Railways in Persia. Acknowledges No. 83. Method of preventing Persian Government buying out syndicate. Question of arbitrator ..	96
88	To Sir G. Buchanan ..	240	5,	Russo-German agreement. Refers to No. 77. Approves language ..	97
89	Mr. Greenway ..	..	7,	Railways in Persia. Tenure secured by a 1 per cent. sinking fund. Transmits contract as amended ..	97
90	To Mr. Greenway ..	..	8,	Railways in Persia. Refers to No. 87. All points raised in No. 83 satisfactorily dealt with ..	103

No.	Name.	No.	Date.	SUBJECT.	Page
91	India Office ..	..	Sept. 9, 1911	Buoyage and lighting surveys. Transmits telegram to Viceroy regarding districts to be surveyed	104
92	To Mr. Greenway ..	..	9,	Railways in Persia. Amended draft contract. Refers to No. 89. Suggests alteration in article 19	104
93	Sir G. Lowther ..	619	2,	Bagdad Railway construction. Transmits report by His Majesty's consul at Mosul relative to progress of	104
94	" ..	626	6,	Potsdam agreement. Gives substance of press articles, with comments	106
95	India Office ..	..	11,	Bagdad Railway. Question of supplying Porte with copies of agreement with crucial chiefs. Replies to No. 56	108
96	" ..	..	14,	Buoyage and lighting. Transmits letter to Admiralty relative to cost of survey	108
97	" ..	..	15,	Buoyage and lighting. Transmits estimate of costs of lights and lighthouses. Suggests Treasury might accept moiety of charges	109
98	" ..	..	15,	Persian Gulf surveys. Telegram from the Government of India. Indian Government can only spare one vessel, and would like assistance of Admiralty	114
99	Communicated by Mr. Braham ..	..	17,	Policy of Committee of Union and Progress and Turkish naval constructors. Letter from Mr. Graves. Danger of British officers being replaced by Germans	114
99*	Sir G. Barclay ..	414 Tel.	20,	Suggests draft contract of Persian Railways Syndicate should be submitted to His Majesty's consul-general at Bushire. Fears Sheikh of Mohammerah may take exception to article 4	116*
100	To Sir G. Barclay ..	267 Tel.	20,	Mohammerah-Khoreabad. Asks for views as to India Office's suggestion that simultaneous suggestions should be made to Turkish Government and Sheikh of Mohammerah	116
101	To India Office ..	..	20,	Mohammerah-Khoreabad Railway. Sir G. Barclay's views have been asked (see No. 100)	116
102	Mr. Greenway ..	..	19,	Railways in Persia. Refers to No. 92. Draft contract. Can they see Wilson's report?	117
103	Board of Trade ..	..	21,	Trans-Persian railway. Maintain objections as to commercial aspects of the railway	120
103A	Sir G. Barclay ..	421 Tel.	22,	Securities asked for by Persian Railways Syndicate	120*
103B	" ..	422 Tel.	22,	Refers to No. 103 A. Securities are offered by treasurer-general, not asked for by syndicate	120*
104	India Office ..	..	23,	Buoyage and lighting. Letter from Admiral Slade regarding survey of port of Bushire	120
105	Sir G. Lowther ..	643	20,	Russo-German agreement. Khanikin line. Turkish Government have received satisfactory replies from both Governments	121

No.	Name.	No.	Date.	SUBJECT.	Page
106	Communicated by Mr. Greenway ..	..	Sept. 27, 1911	Railways in Persia. Transmits correspondence with agent in Tehran regarding Shuster's demands	122
107	To Sir G. Barclay ..	119	27,	Buoyage and lighting. Transmits No. 97. To approach Persian Government regarding lighthouse at Sheikh Shuaib. Treasury have been asked to share cost	124
108	Sir G. Barclay ..	444 Tel.	28,	Refers to No. 11. Persian Railways Syndicate. Discussion promised to Russia will be difficult when scheme has been accepted by Medjliss	125
109	" ..	452 Tel.	30,	Refers to No. 100. Does not consider application to Sheikh of Mohammerah necessary. Asks for authority to bring negotiations to notice of Sheikh Kha'zal	125

CONFIDENTIAL.

Eastern Department: Secret Series.

PART III.

[25620]

No. 1.

Mr. Picot to Mr. Maxwell.—(Received July 1.)

Junior United Service Club, London,
June 20, 1911.

My dear Maxwell,

REFERRING to my visit to you yesterday regarding the formation of a syndicate composed of the Persian Transport Company (the shares of which are held by the Euphrates and Tigris Steam Navigation Company and the Imperial Bank of Persia) and the Persian Oil Company, it was proposed and agreed that the Persian Transport Company and the Persian Oil Company should take equal shares, that a certain capital should be raised for the initial expenses connected with the *obtention* of the railway concessions in Persia, and that an independent chairman should be chosen.

No definite reply has yet been received to the invitation sent out to the proposed chairman.

As far as the matter has yet gone this seems to me satisfactory, and should prove a solution of the differences which would certainly arise should these different interests enter the field in competition.

With the syndicated interests we shall have the Transport Company (inclusive of the Imperial Bank of Persia and the Euphrates and Tigris Steam Navigation Company) and the Oil Company working in unison.

At the meeting at the Imperial Bank of Persia to discuss the best method of bringing the foregoing interests into line, the chairman of the Imperial Bank of Persia presided; Mr. Greenway represented the Persian Oil Company. This gentleman seemed to be of the opinion that the Transport Company had failed to accomplish its aims in Persia, and had thereby shown itself unequal to its task. This view is demonstrably incorrect, for it has been quite impossible to undertake any work in Luristan or on the Kom-Ispahan roads during recent years.

If you have an opportunity, I hope Mr. Greenway will have this point made clear to him by the Foreign Office, as it is of importance to us that he should understand why the Transport Company has not been able to go ahead faster. There is, as you know, some 10,000*l.* ready to lay out on the Kom-Ispahan road as soon as our concession is renewed and safety can be secured on this road.

As regards the Armstrong and Palmer contract case in Constantinople, our position *vis-à-vis* of British firms desirous of securing railway concessions in Persia is not on all fours. In the Armstrong case other shipbuilding firms were tendering, and the Foreign Office, I take it, was only concerned to see that one of these firms got the order. There were no obligations towards Armstrong. In our case the Foreign Office is in a different position; the inducement to the Transport Company to take over the roads in the north, &c., was confidence in the Foreign Office assurances as regards railways. Acting on the faith of these assurances, we have given an immense amount of headwork, for nearly ten years, without fees to the board or dividends to the shareholders, and have kept the enterprise with its head above water. A considerable sum of money has also been expended by us.

[1510]

B

Under these circumstances, we have a claim on the Foreign Office to make good their assurances. It will simplify matters enormously if all goes well with the combined interests, and I venture to suggest that the Foreign Office should use its decisive influence to bring us all together should any unforeseen difficulty arise.

Yours sincerely,
H. PICOT.

[25700]

No. 2.

Mr. O'Beirne to Sir Edward Grey.—(Received July 3.)

(No. 180. Secret.)

Sir,

St. Petersburg, June 27, 1911.

I ASKED the Acting Minister for Foreign Affairs yesterday whether he could tell me anything to report to you regarding the progress of his pending negotiations with Germany. He said that he had asked Count Benckendorff to speak to you regarding the clause concerning the Khanikin-Tehran railway. He was in doubt whether it was necessary to insert in that clause a provision to meet the case of neither Russian, French, nor British capital being forthcoming in sufficient amount for the eventual construction of the line. At any rate, he thought that we ought in good time to consider the question of how the capital was to be provided and of "guarantees" for the interest.

I said that I thought, when the question had been discussed before, it had been agreed that it would be sufficient to have a clause providing that Russia would undertake the construction of the line and reserved to herself the right to bring in foreign capital. If when the time came the capital was not forthcoming, it would be early enough to think of the communication which would have to be made to Germany.

M. Nératof replied that if the clause were drafted in the way suggested, and if Russia when the time came could not procure sufficient capital for the construction of the line, Russia would have failed to carry out her undertaking, and the other clauses of the agreement would fall through. It might be better to add a provision giving Russia liberty to renounce the right of building the line if she chose to do so.

I have, &c.

HUGH O'BEIRNE.

[25701]

No. 3.

Mr. O'Beirne to Sir Edward Grey.—(Received July 3.)

(No. 181. Secret.)

Sir,

St. Petersburg, June 28, 1911.

I ASKED the Acting Minister for Foreign Affairs on the 26th instant whether we might soon expect an answer to the *aide-mémoire* from His Majesty's Embassy of the 2nd (15th) May last, stating the conditions on which His Majesty's Government would be prepared to assent in principle to the scheme for the construction of a trans-Persian railway to connect with the Indian railway system. M. Nératof said that he had not intended to return any reply to Sir G. Buchanan's communication. It would be time enough to go into the detailed questions raised by these conditions when the proposed "Société d'Études" had completed its task and we had fuller information in our possession. When dealing with the conditions laid down by Great Britain, the Russian Government would probably put forward conditions of their own, and this would involve lengthy negotiations. For the present, it was sufficient that the two Governments should have signified their assent to the general principle of a trans-Persian line.

I said that I understood that some of the Russian promoters of the scheme were shortly going to London with the object of associating themselves with a group of English capitalists who would join in finding the money for a survey of the proposed route. I thought that before subscribing the necessary funds the capitalists would like to know that the two Governments had definitely assented to the scheme of a trans-Persian line. Suppose that after the surveys had been carried out Russia declined to agree to one of the conditions put forward by His Majesty's Government,

[26452]

No. 4*.

Enclosure in India Office Letter.—(Received July 7.)

Government of India to the Marquess of Crewe.

(Telegraphic.) P.

July 5, 1911.

PLEASE refer to my telegram of the 14th March regarding Shat-el-Arab buoys. With the Foreign Secretary's weekly letter of the 29th June is forwarded the Admiral's telegram of the 15th June, giving particulars as to the boundaries of Turkish and Persian waters.

[1510]

B*

and the latter could not give their assent to the principle of the line. The capitalists concerned would rightly feel aggrieved.

M. Nératof replied that he had carefully explained to M. Khomiakoff that the Russian Government was merely agreeing in a general way to the idea of a trans-Persian line, but that it did not follow that on further examination difficulties might not arise to prevent Russia from agreeing to the actual execution of the project.

I venture to think that it would be desirable that you should furnish His Majesty's Embassy with instructions as to the necessity of a reply being returned by the Russian Government to the embassy's last communication.

I have, &c.
HUGH O'BEIRNE.

[26373]

No. 4.

Papers communicated by India Office, July 6.

(1.)

Government of India to the Marquess of Crewe.

(Telegraphic.) P. June 27, 1911.
PERSIAN Gulf buoying and lighting. See your telegram dated the 10th instant. I agree after further enquiry both as to provision of acetylene gas buoy at inner bar, and as to desirability of British light vessel being placed, as recommended by admiral, 4 or 5 miles to seaward of gas outer buoy. Further enquiry is being made, there being some difficulty as to preparation of detailed estimates, and a further report will be sent.

(2.)

The Marquess of Crewe to Government of India.

(Telegraphic.) P. India Office, July 3, 1911.
PERSIAN Gulf.
With reference to your telegram of 8th June, regarding survey, I propose before replying to see what progress is made with the negotiations with Turkey. These have not yet begun, and the matter of the survey does not appear to be urgent.

[26743]

No. 5.

Mr. Marling to Sir Edward Grey.—(Received July 10.)

(No. 460.)
Sir,

Therapia, July 3, 1911.

I HAD some conversation this afternoon with Sir Henry Babington Smith on the subject of the concessions for the construction of commercial ports at Samsun and Trebizond, and he explained to me the difficulty of the situation in which the National Bank of Turkey finds itself in very much the same language as that of his letter to Sir Arthur Nicolson of to-day's date, which he kindly allowed me to read.

In the existing circumstances, it seems quite possible that the Minister for Foreign Affairs or the Grand Vizier may enquire what is the attitude of His Majesty's Government towards the enterprise, and I should be glad to be informed what reply I should make.

I have, &c.
CHARLES M. MARLING.

[27007]

No. 6.

Sir H. Babington Smith to Sir A. Nicolson.—(Received July 10.)

Dear Sir Arthur,

Constantinople, July 3, 1911.

YOU may be interested to hear what progress has been made in the various matters which we discussed when I was in London.

As regards our relations with the Bank of Salonica and the Ottoman Bank, there is no change in the position. I am told by the Bank of Salonica people that M. Révoil is still anxious to find a solution, but there has been no fresh move on his part. I am convinced that the only course which is likely to produce a satisfactory result is that we should, in the meantime, go ahead on our own account, and consolidate and strengthen the position of the National Bank of Turkey as much as possible.

I mentioned to you, in my letter of the 13th April, that we were negotiating with the Government regarding the ports of Samsoun and Trebizond. The Government are inclined to conclude with us a "contrat d'études" for these two ports, with provisions which would give us the option of converting this "contrat d'études" into a definite contract for the construction and working of the ports after the studies are completed. We are practically in agreement with the Government regarding the terms of the contract, but the matter was held up for a time through the Grand Vizier's absence. In the meanwhile, the French are taking action which marks very clearly their attitude to any British enterprise in this country. Messrs. Hersent and Schneider some time ago made proposals to the Government for the construction of a large number of ports in Turkey, including, among others, Samsoun and Trebizond. The grandiose proportions of this scheme commended it to the late Minister of Public Works, but Hakki Pasha and Djavid Bey were more moderate in their ideas, and were opposed to the scheme, partly because they found the conditions unacceptable, and partly because they did not wish to embark on the construction of ports on so large a scale. The scheme was definitely rejected before the negotiations with us began. Messrs. Hersent and Schneider have now sent a representative here who is claiming, on the basis of their former proposals, that they have a prior claim to any contract relating to these ports. M. Révoil has written a letter of a threatening character (this was the word which the Minister of Finance used in describing it), informing the Government that if a contract for these ports were signed with the National Bank of Turkey it would produce a deplorable effect in France, and would unfavourably influence the negotiations for the large railway scheme. M. Bompard has spoken in the same sense to the Grand Vizier, and has stated in addition that the ports of Samsoun and Trebizond had been included in the discussions between himself and the Grand Vizier relating to the railway scheme. This the Grand Vizier absolutely denies, and I have every reason to believe his statement is correct, since it agrees with what he told me in April.

Hakki Pasha tells me that he has not changed his mind and that he wishes to sign the contract with us. At the same time, he is evidently nervous regarding press attacks in France and difficulties with the French Government, and I am not quite sure what his final decision will be.

The whole course of the matter is a good illustration of the French attitude. Because certain French firms have made proposals regarding the construction of ports, the French consider that they have a sort of monopoly of port construction in this country. Because certain proposals for railway construction have been under discussion, the French would prohibit the Turks from negotiating with anybody else regarding the ports at which these railways reach the sea. If it were merely a question between us and French applicants, we should be perfectly content to continue to negotiate without asking for any support from the Government. But the French do not allow matters to remain there; the Ambassador intervenes, and threatens the Turks with unpleasant consequences if he is not listened to. Relying on what you said to me, I was able to assure the Grand Vizier that, in this case, he need not apprehend any intervention of the British Government, similar to that which took place in the case of the loan of last year, but Hakki Pasha would evidently like something more than this. He would like an active expression of interest on the part of the Foreign Office, to strengthen him against French pressure.

You were so good as to say, when I saw you in May last, that the Foreign Office would be prepared to support us in the matter of the ports, if we so wished, but that it would be necessary to communicate with Russia first, and to ascertain that there was no objection from that quarter. I fear that if this condition is indispensable, the

support is deprived of its value. If the Russian Government were consulted, they would probably communicate with the French, and would be likely to raise difficulties merely to please them. Unless you would be prepared to disregard Russian objections (and that, I presume, is not the case) we should only be worse off than before. Russian opposition, of which at present we have heard nothing, would be added to French, and we should receive from you a definite refusal of support, which would be hardly distinguishable, so far as regards the Turks, from actual opposition. Moreover, the Turks would hardly take it in good part that, as the result of our action, Russia should be consulted regarding the construction of ports in Ottoman territory.

I naturally hesitate to ask for support, unless it can be given in a form which is likely to lead to some useful result. In the meantime, the position is singularly one-sided—how one-sided is perhaps best shown by imagining an analogous case in the reverse direction. What would be said by the French if the British Ambassador threatened the Turks with unpleasant consequences if they signed a contract with an establishment representing French capital?

The French may perhaps use the argument that the ports ought, as a matter of practical convenience, to go with the railway scheme. The negotiations for the railway scheme are in a very early stage; but even if a railway concession with termini at Samsoun and Trebizond is eventually given to the French, there is no good reason why the ports should go with the railways. For a long time to come, there is not likely to be any conflict of interests. The interest of both parties will be to increase as much as possible the traffic, both of the port and railway. If, at any time, there should be a question of a second railway arriving at the same port then there might be distinct advantages for the Turkish Government in having the port in different hands from the railway. Moreover, Samsoun and Trebizond are existing ports with a large traffic quite independent from that which may be brought by railway extension. If the French had the faintest desire to see English capital taking any part in Turkey, they would find here an excellent ground for co-operation between the ports, on the one hand, and the railways, on the other; but, as I have already said, I am convinced that there is no such desire. Their policy will be directed towards excluding British enterprise, so long as they see any possibility of doing so. It is only when they find that they cannot succeed in this line that they will be prepared to consider reasonable proposals for co-operation.

As regards other matters, we are making some progress. We have submitted the results of our preliminary survey of the Meander valley with a view to flood prevention and irrigation. In connection with this scheme we have offered a participation to a group connected with the Bank of Salonica, which contains some French interests.

The tenders for the Mesopotamian irrigation works (Hindié barrage and Habbanié escape) were sent in a few days ago. The only tenderers were Sir John Jackson's firm, who are working in close co-operation with us, and Pearson's. Here again we have offered, in the event of our being successful, a participation of 25 per cent. to the French group (represented by M. Bardac) which is connected with the Ottoman Bank, but I have not as yet received any reply. In accordance with the intention which we mentioned to you, I offered also a participation of 25 per cent. to the German group represented by the Deutsche Bank, and this was accepted.

In these matters, as you will see, we have shown our readiness to invite French co-operation, but we do not find any ready response, still less any reciprocity, from the other side.

Hakki Pasha spoke with some surprise of not having yet received a reply on the Bagdad question. The delay is most unfortunate. Incidents are certain to arise which will render settlement more difficult. For instance, the trouble between Saadun Pasha and the Sheikh of Koweit will bring the Koweit question to the front again. It is stated that Saadun Pasha, in asking for the assistance of the Turkish Government, suggests that the English have invited Mubarak to attack him, because he (Saadun) would not be corrupted by their promises and would not further their views on Mesopotamia. The German position, on the other hand, will grow steadily stronger by lapse of time. A large staff of engineers has arrived at Bagdad, to begin building the line from there to Mossoul. In the last arrangement with the Turks they have received all they wanted, and have as yet given up nothing. The longer the period which elapses before they are called upon to carry out their undertaking to resign the concession for the line south of Bagdad in order to permit of a rearrangement, the greater will be their tendency to be stiff in the conditions which they will require.

The general position here is not very settled. Djavid Bey and his friends are not

at all inclined to sit down quietly under their defeat, and will try and strengthen their position in the provinces with a view to turning out Hakki Pasha and coming back themselves. There is some coquetting between this wing of the party and Nazim Pasha, who is undoubtedly popular in the army; and it is not beyond the bounds of possibility that Nazim Pasha might become Minister of War in Mahmud Chevet's place, especially if the various military operations go badly. The more moderate and sensible Turks feel that the Committee party have gone much too far and too fast in the direction of levelling and Ottomanisation. I had a conversation recently with Nail Bey, the present Minister of Finance—a very sensible, level-headed man. He expressed the view that serious mistakes of this character had been made in dealing with Albania. I told him that opinion in England was being strongly affected by the telegrams regarding the operations in Albania. He recognised that this was so, and regretted it; but, at the same time, he stated confidently that the telegrams were grossly exaggerated. The news in the English papers came from Montenegro or Vienna, and was consequently strongly coloured by political sympathies. He was glad that a "Times" correspondent had now been allowed to accompany the Turkish forces, and sorry that this had not been allowed before. It is impossible, of course, here to obtain accurate information, but I have no doubt that the accounts from Montenegrin sources are greatly exaggerated.

Yours sincerely,
H. BABINGTON SMITH.

[27323]

No. 7.

Sir G. Buchanan to Sir Edward Grey.—(Received July 11.)

(No. 150. Secret.)
(Telegraphic.) P.

St. Petersburg, July 11, 1911.

RUSSO-GERMAN negotiations.

When I saw M. Nérot to-day his Excellency read to me the draft agreement as amended by him. He proposes to hand this text to Count Pourtales on Friday next, the 14th July.

The preamble and the 1st article of this document are identic with the version of them given in my despatch No. 44, Secret, of the 21st February last.

Considerable modifications have been introduced into the 2nd article. As it is now worded, Russia only undertakes to begin the construction of the line from Khanikin to Tehran two years after the completion of the branch line from Sadijeh, and to complete it in another four years. It had previously been demanded by Germany that the Khanikin-Tehran line should be completed in two years from the date of the completion of the Sadijeh branch. Russia is to fix the *tracé* of the line, due consideration being given to the wishes of Germany in the matter; both Governments agree that no differential rates are to be imposed on either of the two lines. Russia reserves the right to renounce the concession if she is unable to begin the construction within the prescribed two years.

As regards article 3, the Russian Government undertakes not to oppose the realisation of the Bagdad Railway nor to put any obstacles in the way of the participation of foreign capital; no pecuniary nor economic sacrifices are, however, to be demanded of the Russian Government.

M. Nérot promised that he would give the German Ambassador to understand that the omission of the word "Konieh" was assented to on the understanding that all the other conditions laid down in the agreement were accepted by Germany.

An alteration has also been effected in the concluding portion of this article which deals with the railways to the north of Khanikin. The only engagement that the German Government now takes is to make no decision with regard to them without previously coming to an understanding with the Russian Government. The 4th article of the draft has reference to the concluding sentence of the 2nd article. Should the Russian Government renounce the concession of the Khanikin-Tehran branch the Russian Government reserves to itself the right to cede it to a foreign financial syndicate, to participate in the enterprise to such extent as she may wish, to have all the same privileges as the constructor of the line or the most favoured nation, and to have the right to buy the line at the cost price.

It is expected by the Acting Minister for Foreign Affairs that this last article will be objected to by the German Government, that the latter will insist on securing the

reversion of the concession, and that she will press for the earlier completion of the line in the event of the Russian Government's deciding to construct it themselves.

As regards the retention of the term "Konieh-Bagdad Railway," it seemed useless to press M. Nérot further on the point. I therefore confined myself to hoping that he would make it quite clear to Count Pourtales that the German Government could not expect any further concessions.

[26743]

No. 8.

Sir Edward Grey to Mr. Marling.

(No. 269. Confidential.)
(Telegraphic.) P.

Foreign Office, July 11, 1911.

NATIONAL Bank.

Please refer to your despatch No. 460 of the 3rd July.

If Rifaat Pasha mentions the subject you are authorised to state that His Majesty's Government would certainly do nothing to hamper the bank, and are anxious for its success generally.

We should in fact be glad if the bank were successful in obtaining any of the concessions it is working for, and, subject to the concurrence of Russian Government, we would be ready to support it officially as regards Black Sea ports. The bank, however, has not asked us to approach the Russian Government on their behalf in connection with these ports.

[27548]

No. 9.

Memorandum communicated to M. Cambon, July 11, 1911.

THE National Bank of Turkey have been negotiating with the Ottoman Government for some time regarding the ports of Samsun and Trebizond. The Turkish Government are inclined to enter into an arrangement for the consideration of proposals for the construction and working of these ports, and the National Bank are practically in agreement with the Turkish Government regarding the terms of the contract. The matter has, however, been delayed owing to the Grand Vizier's absence.

Messrs. Hersent and Schneider some time ago made proposals to the Government for the construction of a large number of ports in Turkey, including among others Samsun and Trebizond. For various reasons the Ottoman Government were unable to accept these proposals, and the scheme was definitely rejected before the negotiations with the National Bank began.

Messrs. Hersent and Schneider have now sent a representative to Constantinople. He is claiming on the basis of their former proposals, that they have a prior claim as regards these ports.

M. Révoil has written a letter informing the Turkish Government that if a contract for these ports were signed with the National Bank it would produce a deplorable effect in France, and would unfavourably influence the negotiations for the large railway schemes. The letter from the Minister for Finance was couched in forcible and emphatic language.

The French Ambassador has spoken to the Grand Vizier in the sense of M. Révoil's letter, and he has stated in addition that the ports of Samsun and Trebizond were included in the discussions between himself and the Grand Vizier relating to the railway scheme. The Grand Vizier, however, states that the ports of Samsun and Trebizond were not included in these discussions.

[25433]

No. 10.

Mr. Mallet to Mr. Greenway.

Dear Mr. Greenway,

Foreign Office, July 11, 1911.

I AM obliged to you for your letter of the 15th June enclosing the draft of a telegram which you propose to send to Mr. David Brown of the Imperial Bank of

Persia at Tehran, instructing him to apply in the name of the Persian Railway Syndicate for a concession to construct railways in Southern Persia.

It is observed that the proposed railways are to be light railways of 2 ft. 6 in. gauge. The question of gauge is of importance, especially on the proposed Bunder Abbas-Kerman line, which will be a valuable adjunct, strategically and commercially, of the Trans-Persian Railway should that railway ever be constructed. In view of this consideration, Sir Edward Grey thinks it right to stipulate that provision should be made in the construction of this line for the eventual widening of the gauge.

It is also noticed that no mention is made in the draft telegram for any connection by rail between Bunder Abbas and Mohammerah, the proposed line from Bunder Abbas to Shiraz being apparently intended to stop at the latter place. His Majesty's Government attach great importance to the establishment of railway connection between Bunder Abbas and Mohammerah, or at all events to securing the possibility of establishing it. Sir E. Grey therefore considers that this concession should also be applied for, even though the line may not be immediately constructed.

It is proposed in the draft telegram that the interest on the bonds issued to provide capital for the enterprise should be partly secured on a special increase of 4 per cent. in the customs duties of the southern ports of Persia. His Majesty's Government cannot pledge themselves to agree to this increase, which would involve the imposition of a further burden on trade, the greater part of which is British and British Indian, and which, as it would require the consent of other Powers, would give them an opportunity of placing difficulties in the way of the undertaking. Sir E. Grey would accordingly request that this point may be omitted from the telegram, and would suggest that the newly-appointed American Treasurer-General or his assistants might be able to devise some alternative form of security.

Subject to the foregoing conditions, Sir E. Grey sees nothing to object to in the terms of the draft telegram.

I am, &c.

LOUIS MALLET.

[25433]

No. 11.

Foreign Office to India Office.

Sir,

Foreign Office, July 11, 1911.

I AM directed by Secretary Sir Edward Grey to acknowledge the receipt of your letter of the 29th ultimo relative to the proposed application by the Persian Railway Syndicate to the Persian Government for a concession for the construction of railways in Southern Persia.

I am to inform you in reply that Sir Edward Grey shares the view of the Marquess of Crewe that it is unnecessary for His Majesty's Government to engage in a discussion on the subject with the Russian Government at present, but he considers that it will be proper to consult them before construction is actually begun, since His Majesty's Government can hardly regard themselves as absolved from their undertakings merely because they are neither applying themselves nor actively supporting the syndicate's application for the concession. Sir Edward Grey feels that omission to consult the Russian Government eventually would be regarded rightly by them as disingenuous on the part of His Majesty's Government.

I am to transmit to you herewith copy of the reply returned to Mr. Greenway's letter of the 15th June,* from which it will be observed that Sir Edward Grey concurs in the views expressed in your letter, and has acted accordingly.

I am, &c.

LOUIS MALLET.

[27459]

No. 12.

Sir H. Babington Smith to Sir A. Nicolson.—(Received July 13.)

Dear Sir Arthur,

Constantinople, July 8, 1911.

IN continuation of my letters of the 3rd July, I write to say that, in spite of French opposition, the Government appear inclined to conclude the matter of the ports

* No. 10.

of Samsun and Trebizond with us. The Minister of Public Works has told me to-day that this is their intention, but that they prefer to sign our contract at the same time as the "contrat d'études," which they hope very shortly to conclude with the French group which is negotiating about railways in North-Eastern Anatolia.

In this country no business can be regarded as finished until the documents are actually signed, but, unless further difficulties arise, I hope that this may go through.

Yours sincerely,

H. BABINGTON SMITH.

[27460]

No. 13.

Memorandum communicated by M. Cambon, July 13, 1911.

LE mémorandum remis hier, 11 juillet, à l'Ambassadeur de France au sujet de la concession des ports de Samsoun et de Trébizonde ne tient pas compte des négociations ouvertes depuis plusieurs mois entre l'Ambassade de France à Constantinople et le Gouvernement ottoman, bien que le Gouvernement britannique ait été informé de ces négociations.

M. Paul Cambon croit donc devoir rappeler sommairement que l'ex-Ministre des Finances turc, Djavid Bey, avait suggéré à M. Bompard, vers la fin de 1910, la possibilité de donner à la France une compensation à la concession du Bagdad sous la forme de constructions de chemins de fer en Turquie d'Asie et en Épire; qu'à la suite de l'entente russo-allemande de Potsdam, la politique des compensations tant pour la Grande-Bretagne que pour la France fit l'objet des conversations entre Londres et Paris; que M. Paul Cambon en entretint Sir Edward Grey, le 18 janvier dernier, et qu'il lui exposa, le 3 février, les propositions de Djavid Bey à M. Bompard; que les deux Gouvernements s'étaient alors entendus en vue de chercher des compensations, l'un du côté de la Mer Noire et de l'Asie-Mineure, l'autre du côté du Golfe Persique, et qu'ils s'étaient mutuellement promis de ne pas accorder l'augmentation des droits de douane ottomans avant d'avoir tous deux et la Russie reçu les satisfactions qu'ils réclamaient; et que M. Bompard, autorisé par le Gouvernement de la république, a poursuivi depuis ses pourparlers avec le Ministre des Finances.

L'Ambassadeur de France à Constantinople avait expressément posé comme condition de l'arrangement à intervenir que la concession des ports, auxquels aboutiraient les chemins de fer en négociation, serait donnée aux concessionnaires de ces chemins de fer ou à des Français en relations avec ces concessionnaires; tel était le cas des ports de Samsoun et de Trébizonde qui devaient être les termini de deux lignes dont M. Bompard demandait la concession. C'est sur ces bases que M. Bompard avait discuté avec Djavid Bey des projets qui furent soumis au Conseil des Ministres ottoman en avril dernier. Djavid Bey, ayant été remplacé comme Ministre des Finances par Nail Bey, la négociation, comprenant toujours les ports de Samsoun et de Trébizonde, a été continuée avec ce dernier sans qu'il ait soulevé aucune opposition.

Le Gouvernement français a donc été très surpris d'apprendre que la concession demandée par lui avait été donnée à un établissement britannique; il a été plus surpris encore d'apprendre que le Grand Vizir prétendait avoir ignoré des propositions discutées depuis plusieurs mois avec deux Ministres des Finances, avec le Ministre des Affaires Étrangères, et dont le Conseil ottoman des Ministres avait été informé; il ne saurait admettre de semblables procédés.

Il est d'ailleurs très regrettable de voir la Banque nationale s'attacher à des projets contraires aux intérêts français, alors que le Gouvernement français eût été disposé à prêter son concours à toute entreprise poursuivie par des Anglais sur d'autres terrains.

Ambassade de France, Londres,

le 12 juillet, 1911.

[27323]

No. 14.

Sir Edward Grey to Sir G. Buchanan.

(No. 335.)

(Telegraphic.) P.

Foreign Office, July 13, 1911.

POTSDAM meeting and Russo-German agreement.

In connection with your telegram No. 150 of yesterday, you should point out to M. Nératof that article 3, as now amended, does not tally with M. Sazonow's categorical

[1510]

11

assurance that the agreement did not apply to that part of the Bagdad Railway south of Bagdad. You may say, however, that His Majesty's Government do not press this point as long as there is no room for misunderstanding as to Russian freedom of action in regard to customs increase. Germany might embarrass future negotiations by raising this point if it has not been made clear to her, as appears to be the case.

[27632]

No. 15.

Sir G. Buchanan to Sir Edward Grey.—(Received July 14.)

(No. 153. Secret.)

(Telegraphic.) P.

St. Petersburg, July 14, 1911.

RUSSO-GERMAN negotiations. Please refer to your telegram No. 335 of yesterday.

The revised text of the draft agreement was to-day handed to Count Pourtalès by M. Nératof. In making this communication, the latter explained that the 3rd article did not involve Russia in any engagement whatsoever as regards the increase of the Turkish customs duties by 4 per cent.

With regard to the meaning of the term "Bagdad Railway," M. Nératof informed Count Pourtalès that he must reserve to the Russian Government the right to interpret it as the railway terminating at Bagdad. This was the meaning put on it by Russia, and also, he believed, by M. Sazonow when he was at Potsdam; and he must make certain as to what had really been the intention of M. Sazonow on this point before the time came for the agreement to be signed.

[27759]

No. 16.

Messrs. Baring Brothers and Co. to Sir A. Nicolson.—(Received July 15.)

Dear Sir Arthur Nicolson,

8, Bishopsgate, London, July 13, 1911.

WHEN calling on you this morning on behalf of Lord Revelstoke, Lord Errington took the opportunity of submitting to you the letter received by Lord Revelstoke from the Russian Minister of Finance, announcing the visit to this country of the Russian promoters of the scheme for a trans-continental railway through Persia.

In relating to you the nature of the conversation held between these Russian gentlemen, whose names are already known to you, and ourselves, Lord Errington had occasion to mention that the Russian Government had expressed their unwillingness to afford any direct financial guarantee towards the furthering of the scheme in question.

In this respect we understand that the British Government would adopt a similar attitude, and decline to give any direct financial guarantee for railway construction in Persia.

At the same time, mention was made of the fact that the Russian Government had informed the promoters that they were prepared to consider the question of an indirect guarantee to the scheme in contemplation by reserving a certain proportion of their railway revenue surplus for this purpose, in consideration of the increased traffic on lines in Russian territory, which would necessarily accrue from the opening of a trans-Persian railway to India.

It was suggested to us by the Russian gentlemen now in London that in view of the interest with which the Government of India may regard this scheme, they may see their way to expressing an opinion as to any steps they may be prepared to take in furthering the projected line, which has been brought to our notice by our Russian friends, in deference to whose wishes we venture to approach you in this matter.

We are, &c.

(For Baring Brothers and Co., Limited),
CECIL BARING, Director.

[27839]

No. 17.

Sir G. Buchanan to Sir Edward Grey.—(Received July 17.)

(No. 201. Secret.)

St. Petersburg, July 12, 1911.

Sir,

AS I have already had the honour to inform you by telegraph, the Acting Minister for Foreign Affairs yesterday read to me the amended text of the Russo-German agreement, which his Excellency proposes to hand to the German Ambassador on Friday.

It consists, like the revised draft drawn up by M. Sazonow, on which I reported in my despatch No. 44, Secret, of the 21st February last, of a preamble and four articles; and the following is, to the best of my recollection, a summary of its essential points:—

The preamble records the principle of commercial equality, recognises Russia's special political interests in Persia, and ascribes a purely commercial character to the interests of Germany.

Article 1. Germany declares that she will not seek for concessions for railways, telegraphs, and roads to the north of a line drawn from Kasr-i-Shirin, and passing by Ispahan, Yazd, and Kakhk to the Afghan frontier at the latitude of Ghazik.

Article 2 is to the following effect:—

The Russian Government, having the intention of securing from the Government of the Shah the concession for the construction of a system of railways in the north of Persia, engages to obtain simultaneously a concession for a linking-up line for the Sadijeh-Khanikin line; to commence its construction within two years of the day on which that branch of the Konieh-Bagdad Railway shall have been completed; and to complete the said construction within a further term of four years. The Russian Government is free to fix the *tracé* of this linking-up line, while taking into consideration any desiderata which Germany may put forward, and both Governments agree that there are to be no differential rates on either of the two lines. In the event of Russia being unable or unwilling to commence the construction of the line within the prescribed term of two years, she reserves the right of renouncing the concession.

Article 3. Russia engages not to oppose the realisation of the Bagdad Railway, nor to place obstacles in the way of the participation of foreign capital; but no pecuniary nor economic sacrifices are to be demanded of her.

Germany engages to take no decision with regard to the construction of railways in the zone situated between the Bagdad line and the Russian and Persian frontiers to the north of Khanikin without a previous understanding with Russia.

Article 4 is virtually explanatory of the concluding sentence of article 2.

In the event of her renouncing the concession, Russia reserves the right to cede it to a foreign financial syndicate; to participate in the enterprise to the extent which she may desire; to enjoy all the same privileges as the constructor or the most favoured nation; and to have the right to purchase the line when completed at cost price.

The principal concessions made to Germany by M. Nératof are the omission of the word "Konieh" before "Bagdad Railway" in the third article, and the toning down of the engagements taken by Germany with reference to the railways to the north of Khanikin. On the other hand, M. Nératof has modified the articles dealing with the Tehran-Khanikin line in a sense which is certainly favourable to Russia, as Germany was demanding that its construction should be completed within two years from the date of the line from Sadijeh reaching Khanikin. If his Excellency adheres to his decision to inform the German Ambassador that his consent to the omission of the word "Konieh" is conditional on the acceptance by Germany of the rest of the agreement, and if Germany consents to this, M. Nératof will, I think, have good reason to be satisfied with this arrangement from the Russian point of view.

I confined myself to expressing the hope that the agreement had now attained its final shape, and that he would not listen to any fresh demands on Germany's part. His Excellency replied that Germany would probably raise objections to the terms of the second and fourth articles, as she would no doubt be anxious to obtain the reversion of the concession for the line from Khanikin to the north. He gave me, however, to understand that he would not consent to any but verbal alterations.

On my thanking his Excellency for his courteous communication, and on my

wishing him every success in bringing the negotiations to a speedy termination, M. Nératof enquired whether I saw any particular advantage in the agreement being signed without further delay. I replied that it seemed to me that the conversations had lasted quite long enough, and that the signature of the agreement in its present form would, I should have thought, be a considerable relief to the Russian Government. M. Nératof, however, appeared to be quite indifferent as to whether the negotiations were prolonged or not; and his indifference may perhaps be explained by the difficulties with which the Russian Government will be confronted when the time comes for securing the capital required for the construction of the Khanikin-Tehran railway.

I have, &c.
GEORGE W. BUCHANAN.

[28215]

No. 18.

Anglo-Persian Oil Company to Foreign Office.—(Received July 18.)

Winchester House, Old Broad Street, London,
July 15, 1911.

Sir,

I BEG to enclose copy of a memorandum which, at their request, I have handed to His Highness Prince Ala-e-Saltaneh and to his Excellency the Persian Minister, giving a rough outline of our proposals in connection with the Persian railways.

Should you consider it advisable to modify what has been said in any respect, I shall be glad to hear from you, and I will, if necessary, send His Highness and his Excellency an amended memorandum.

I have, &c.
C. GREENWAY,
Managing Director.

Enclosure in No. 18.

Memorandum respecting Persian Railways.

OUR group, which will be called the Persian Railways Syndicate, and will be composed of:—

1. The Anglo-Persian Oil Company group, including—
Lord Stratheona,
Mr. W. K. D'Arcy,
Mr. J. T. Cargill,
Mr. Tarbett Fleming,
Mr. C. W. Wallace,
Mr. Frank Strick,
Mr. R. W. Adamson,
Mr. C. Greenway, &c.;
2. The Imperial Bank and Persian Transport Company group, including—
Sir Thomas Jackson,
Sir Thomas Gordon,
Mr. H. B. Lynch, &c.;
3. The British-Indian Steam Navigation Company group, including—
Lord Inchcape,
Mr. W. A. Buchanan, &c.;
4. The British and Foreign General Securities and Investment Trust, including—
Mr. T. B. Bowring,
Mr. Alex. B. Williamson, &c.;
5. The Weetman Pearson group, including—
Lord Cowdray,
Sir Clarendon Hyde, &c.;

will be prepared to enter into contracts for, and undertake construction of, the following railways in Persia:—

1. From Mohammerah and/or Khor Musa to Khoramabad or Burujird,
2. From Bunder Abbas to Kerman,
3. From Bunder Abbas to Shiraz,
4. From Bunder Abbas to Mohammerah;

with a view to the eventual carrying on of the first three of these lines as below:—

5. (1.) From Khoramabad to Tehran, via Burujird, Dowlatabad, and Hamadan, or via Burujird, Sultanabad, and Kom,
6. (2.) From Kerman to Ispahan, via Yezd,
7. (3.) From Shiraz to Tehran, via Ispahan, Kashan, and Kom.

As Persia cannot, obviously, for financial reasons deal with the whole of these systems at once, it is proposed that they should be taken in hand one by one in the above order in accordance with Persia's ability to provide the necessary guarantees for the capital required.

The line from Mohammerah and/or Khor Musa to Khoramabad is suggested as the first one that should be constructed, because (1) it will give the readiest communication with the Persian Gulf, for the whole of the trade of the north-west of Persia, including Tehran, being connected by caravan routes or roads with Kermanshar on the west; with Burujird, Dowlatabad, Hamadan, Zindjan, and Kasvin on the north; Sultanabad, Kom, and Tehran on the north-east; and with Ispahan on the east; and (2) will, therefore, by attracting the trade of the important districts, of which these towns are the centres, offer the best prospects of remunerative working.

It would also place Tehran within four or five days' communication of the Persian Gulf, instead of the present fifteen to twenty days.

Capital.

It is proposed that the capital should be raised by means of "State railway loans," secured by (1) such revenues of the Persian Government as may be available for hypothecation, and (2) the railway and its earnings.

At present the only revenue within sight available for such a purpose is the surplus shown in the southern customs after meeting outstanding liabilities. This, however, is too small for the purpose in view, but it is possible that the Treasurer-General may before long, either by augmenting existing sources of revenue, or by devising new ones, be able to provide the necessary security.

The capital cannot, in the present position of Persia, be obtained without the securities indicated above, because (1) the possibilities of Persia as a field for the remunerative investment of capital in railways are entirely unknown to investors, and (2) even if there were more knowledge on this point investors would not be willing to invest in Persian railways without substantial guarantees, because public information in Europe leads to the assumption that there is great political insecurity in the country.

The bonds issued in connection with the "State railway loans" would be 5 per cent. bonds, and they would be purchased by the syndicate in the same manner as the bonds which are to be issued for the recent Persian Government loan of 1,250,000*l.*, i.e., at say 87½ per cent. for each 100*l.*, and the nett amount provided by the loans must for each line suffice to cover (1) cost of surveys; (2) cost of construction and equipment, including cost of wharves, jetties, &c., that may be required at ports, and administration expenses during construction; and to relieve the Persian Government of this obligation until the railways are working, it would also be well to include (3) interest on the bonds during the period of construction. It might also be necessary to include amortization.

The bonds would be issued for a period of years, say twenty-five to thirty years, with the right of redemption to the Persian Government at par at any time after five to ten years, either out of the amortization fund, and/or out of the Government revenues.

Administration.

The syndicate would be willing to undertake the construction of the lines on behalf of the Persian Government as "State railways," but they would stipulate that the construction should be undertaken by themselves, and that the railways should, as in

other countries, be worked under their supervision until such time as the Persian Government were in a position to pay off the loans.

To facilitate the latter, it might be arranged that the loan or loans in respect of each complete railway should be earmarked, thus giving the Persian Government the opportunity of taking over and administering each railway as its loan (or loans) is liquidated.

[28227]

No. 19.

M. Goukassow to Sir A. Nicolson.—(Received July 18.)

Sir, 3 and 4, Lime Street Square, London, July 17, 1911.

I BEG to enclose herewith a memorandum on a trunk railway through Persia which has been drawn up at your suggestion by the members of the Russian committee at present in London deputed for negotiations in England.

As my friends intend to leave London on Wednesday morning, they request you to give them an appointment to-day or to-morrow, in order to report to you on the progress of their work here.

I also request you on behalf of my friends to address all future communications to me, as the only representative of the Russian committee living in London. All communications should be addressed to the above address, or to 3, Whitehall Court, S.W. (telephone 3160 Victoria).

I beg to hand you herewith ten copies of "Brief Notes on the Preliminary Expenses for the Construction of a Trans-continental Railway through Persia."*

I remain, &c.

ABR. GOUKASSOW.

Enclosure in No. 19.

M. Homiakoff to Sir A. Nicolson.

July 17, 1911.

Sir, THE rapid development of civilisation in Central Asia and the need of better communication with Europe has caused public opinion in Russia to recognise clearly the necessity of constructing an overland route through Persia to connect the existing railway systems of Europe with those of the rich and densely populated regions of India and South-Eastern Asia.

With this object in view a Russian committee has been formed in Russia (1) to study the possibility of the construction of such a route; and (2) to ascertain the views of the Russian Government on the subject. After a close investigation based on data including materials of the Ministries concerned the Russian committee have come to the conclusion—

That the trunk line through Persia must be constructed by a single international company, in which the Russian and English interests shall predominate, and in which interests other than English or Russian may or may not be admitted according to agreement with the British Government and with the English committee, which should later be formed;

That it is an indispensable condition for the commercial success of the railway, that the line through Persia should be as short and straight as possible, in order to enable it to compete both with other existing means of transit and possible future lines. With this object in view the committee have decided on a route to pass from Baku through Astara, Tehran, and Kerman to Nushki. But it is clearly understood that if, from the British point of view, Nushki be found unsuitable as the point of junction with the Indian railway system, and if Kurrachee be recommended instead, the alteration could be adopted without affecting the commercial success of the line, providing, however, that the section between Kerman and Kurrachee should run as far as is practicable in a due south-easterly direction without any unnecessary deviations which would lengthen the line as a whole.

The Russian committee have also studied the financial prospects of such a line, have made a rough estimate of the cost of construction, and have examined the possible effect of such a line on the increase of profits for the Russian railway system.

* Not printed.

The conclusions at which the committee have arrived in this respect are embodied in a substantial report, a brief extract of which has been handed to the representative of the British Government and to two of the leading bankers in London.

Having secured the approval of the Russian Government, the Russian committee have at the same time interested all the leading Russian banks, and they (the banks) have subscribed a capital of 300,000 roubles for further preliminary investigation.

The Russian committee have now concluded the first part of the task and have come to the conclusion, that the moment has arrived when a "société d'études" should be formed including the representatives of at least the two most concerned nations outside Persia, i.e., England and Russia. With this object in view, the Russian committee have deputed the undersigned to come to London and to approach both the British Government and the financiers of London in order to form jointly such a "société d'études" for further preliminary investigation, for negotiations with the Persian Government to obtain the necessary concessions and also for the final formation of the company for the construction of the railway.

As mentioned above, we have approached the leading financial houses and also some leading public men of England who stand for a closer relationship between the two countries, and we are glad to state that we have found them most favourably disposed towards the realisation of our object. But it has been pointed out to us that before any definite steps towards the formation of a "société d'études" could be undertaken, two points of importance should be settled: firstly, the question of the final alignment of the section between Kerman and Kurrachee; and, secondly, whether the British Government or the Government of India would to any extent be prepared to support the promoters on the English side in the same way as the Russian Government and the Russian banks are prepared to support the Russian promoters of the scheme. Our friends here have pointed out to us that whereas we in Russia have already collected 300,000 roubles for our share of the preliminary expenses (which sum includes further preliminary investigation, technical survey, and the expenses for the formation of the company, and whereas we can reckon on some support from the Russian Government, as pointed out in our printed report, they are unable as yet to gauge the extent of support which the British Government or the Government of India would be prepared to give them in case they decided to collaborate with us. This being the position at the moment, the undersigned are of opinion that at this stage the co-operation of the British Government is highly desirable, and we beg to submit the matter to your consideration.

I remain, &c.

(On behalf of the Russian Committee),
N. HOMIAKOFF.

[27549]

No. 20.

Sir Edward Grey to Sir G. Buchanan.

(No. 195. Secret.)

Sir,

Foreign Office, July 18, 1911.

WITH reference to my despatch No. 129 of the 10th May, relative to the proposed Trans-Persian Railway, I have to inform your Excellency that M. Homiakoff, accompanied by M. Bark, of the Volga-Kama Bank, and M. Goukassow, called at this Office on the 11th instant, and were received by Sir A. Nicolson.

M. Homiakoff, who had reached London on the previous night, stated that he had come to negotiate with a British group formed for the purpose of putting the project into execution. He had as yet seen no financiers, but intended to visit Lord Revelstoke (at the instance of the Russian Minister of Finance), Mr. Tritton (of Messrs. Barclay and Company), and Mr. Huth Jackson. He understood that there would be difficulty in interesting British financiers in the scheme if the line were to follow the *tracé* laid down by His Majesty's Government, as it would be too long and too costly.

Sir A. Nicolson informed M. Homiakoff that the question had been carefully studied by several departments here and by the Government of India, and that it was the line as laid down as the result of these enquiries to which His Majesty's Government were prepared to give their approval. If, after consultation with the financiers, he or they had any observations to make, His Majesty's Government would be ready to receive such observations, but he doubted whether any modification of these views already expressed would be obtained, and, in any case, the various departments con-

cerned and the Government of India would have again to be consulted, which would take a considerable time.

M. Homiakoff said that he hoped to see Sir A. Nicolson again after having visited financiers here.

I am, &c.
E. GREY.

[28359]

No. 21.

Mr. Huth Jackson to Sir A. Nicolson.—(Received July 19.)

Dear Sir Arthur,

12, Tokenhouse Yard, July 18, 1911.

M. P. L. BARK, Managing Director of the Volga Kama Commercial Bank, and M. A. O. Goukassow asked me to give them another interview, and I have seen them this afternoon.

They told me that they had seen Lord Revelstoke, and had also sent you a memorandum upon the Persian Railway scheme at your request. They particularly wished to have my views as to the possibility of forming a London group prepared to join with Russian and French groups in examining the whole project, and sharing in the cost of this examination—which is estimated at 120,000l.

In my reply I began by reminding them of what I had said on a previous occasion—and what I believe that you had also told them—that I was not a financier, and that, therefore, neither I nor my firm would participate in the scheme. They replied that they fully understood this.

I then went on to say that, looking at the matter as a business proposition, it would in my opinion be impossible to form any such financial group in London as was suggested, unless—

1. The actual route for the railway had been approved both by the Russian and the British and Indian Governments—which was I understood at present not the case.

2. Unless there were satisfactory and sufficient guarantees forthcoming, which would enable the necessary funds to build the railway to be raised later on.

They then asked me whether I thought the British or Indian Governments would be willing to give any guarantees. I replied that I thought it extremely unlikely that the British Government would, under any circumstances, give a guarantee; while, even if the Indian Government were to entertain the idea, they would be sure to limit their guarantee to capital spent on that portion of the railway which passed through Indian territory. I was careful to add that the opinion I was giving was only a personal one, and was not to be considered as applying to anyone else but myself. The interview then ended.

I am afraid these Russian gentlemen are disappointed at the little encouragement they have received here.

Believe me, &c.
FRED. HUTH JACKSON.

[28292]

No. 22.

Note communicated by Tewfik Pasha, July 19, 1911.

LA Compagnie anglaise de Pétrole a débarqué en vue de Brim (Baraim), sis sur la côte de l'île Abadan (Habadan), une bouée dans le Chatt-el-Arab, et qu'elle en fera autant d'une autre [sic].

Ces bouées causeront nombre de difficultés et au point de vue de la navigation et dans les relations internationales avec la Grande-Bretagne.

D'autre part, le premier drogman de l'Ambassade d'Angleterre à Constantinople a informé que les bouées placées aux embouchures du Chatt-el-Arab se trouvaient en dehors des eaux territoriales ottomanes et que les autorités locales ayant l'intention de les enlever, le Gouvernement britannique envoie un bateau pour l'empêcher. Il a ajouté, en même temps, qu' "en dehors des eaux territoriales" signifie "à plus de 3 milles de la terre."

Or, l'article 39 de l'Acte général de Bruxelles a implicitement fixé la zone des eaux territoriales à 5 milles de la côte.

Si c'est le désir de régulariser la navigation du fleuve, il serait loisible au

[28257]

No. 22*.

Mr. Marling to Sir Edward Grey.—(Received July 19.)

(No. 177.)

(Telegraphic.) R.

Therapia, July 18, 1911.

CONSTRUCTION of Trebizond-Samsoon ports.

Please refer to my despatch No. 460.

Grand Vizier, having been informed by National Bank that they are prepared to offer participation to French, has apparently used offer to overcome French opposition. He promised bank yesterday to sign draft agreement simultaneously with signature of big French loan for public works.

The bank's agreement provides for "contrats d'étude" carrying preferential rights.

The Chamber's approval is necessary for both arrangements.

[1510]

F*

Gouvernement de Sa Majesté britannique de s'entendre avec la Sublime Porte pour faire le nécessaire à cet effet. Autrement, son intervention dans les eaux ottomanes du Chatt-el-Arab, que l'on peut considérer, tout au plus, comme indivis avec le Gouvernement persan, ne saurait se justifier.

*Ambassade Impériale ottomane, Londres,
le 19 juillet, 1911.*

[25701]

No. 23.

Sir Edward Grey to Sir G. Buchanan.

(No. 192. Secret.)

Foreign Office, July 19, 1911.

Sir,

I HAVE received Mr. O'Beirne's despatch No. 181, Secret, of the 28th ultimo, relative to the proposed Trans-Persian Railway.

With regard to the suggestion contained in this despatch that His Majesty's Embassy should receive instructions to represent to the Russian Government the necessity of returning a reply to your Excellency's communication of the 15th May last, stating the conditions on which His Majesty's Government would be prepared to assent to the scheme in principle, I have to observe that His Majesty's Government are committed to the project only in the same degree as the Russian Government, and are entitled to make the same reserve as that formulated by the Russian Acting Minister for Foreign Affairs as reported in the penultimate paragraph of the despatch.

M. Nératof reserves to the Russian Government the right to make conditions, before agreeing to the actual execution of the project, while His Majesty's Government of course retain the right to make this agreement depend upon the fulfilment of the condition which they have already made, and must be free to revise their conditions should Russia make new conditions that alter the nature of the project.

M. Nératof proposes to await the completion of the task undertaken by the Société d'Études before proceeding to negotiation on questions of detail, and I do not consider it necessary that your Excellency should press the Russian Government for a reply to the communication referred to till the Société d'Études has made its report upon the general practicability of the scheme.

I am, &c.
E. GREY.

[28487]

No. 24.

Anglo-Persian Oil Company to Foreign Office.—(Received July 20.)

*Winchester House, Old Broad Street, London,
July 19, 1911.*

Sir,

I HAVE the honour to enclose copy of a telegram which I have just received from our agent in Tehran re Persian Railway concession.

I have, &c.
C. GREENWAY.

Enclosure in No. 24.

Mr. Brown to Mr. Greenway.

(Telegraphic.)

Tehran, July 19, 1911.

REGENT expressed approval of railways syndicate(s) (in) their (his) opinion Persian Government could continue line to Hamadan. He suggested we should connect(s) (with) Ispahan with Khoramabad and/or Kerman or Shiraz. Treasurer-General states that southern customs already fully mortgaged, and inland revenue at present entirely worthless as a (an) security(ies); but as soon as he has put new organisation in order he will be able provide ample security(ies) for railway(s) construction, and will give his full support to our proposals.

[1510]

F

[28518]

No. 25.

Note communicated by M. Sévastopoulo, July 20, 1911.

NOUS n'avons pas d'objections au choix de Karatchi comme terminus du Chemin de Fer indo-européen.

Mais nous sommes d'avis que pour l'entrée de la ligne dans la sphère anglaise il y aurait lieu de faire choix d'un point autre que Bender Abbas, tant à cause de l'allongement considérable que devrait subir la ligne pour passer par ce port, qu'à cause de l'accueil défavorable que ne manquerait pas de rencontrer cette voie auprès de nos cercles industriels et commerciaux; de plus, la voie de Bender Abbas présenterait le grave inconvénient de rapprocher la ligne projetée du rayon allemand du Chemin de Fer de Bagdad.

Nous réservons pour un examen ultérieur les autres points du mémorandum anglais.

*Ambassade Impériale de Russie, Londres,
le 20 juillet, 1911.*

[27759]

No. 26.

Foreign Office to Messrs. Baring Brothers.

Gentlemen,

Foreign Office, July 20, 1911.

I AM directed by Secretary Sir Edward Grey to acknowledge the receipt of your letter of the 13th instant relative to the question of financial guarantees for railway construction in Persia.

I am to inform you, in reply, that a copy of your letter has been forwarded to the India Office, with the request that the views of the Government of India may be obtained as to the feasibility of any steps on their part in the direction desired by you.

I am, &c.

A. NICOLSON.

[28548]

No. 27.

Sir F. Bertie to Sir Edward Grey.—(Received July 21.)

(No. 329.)

Sir,

Paris, July 17, 1911.

I SPOKE to M. de Selves, in the course of my first interview with his Excellency on the 9th instant, of the desirability of Anglo-French co-operation at Constantinople in financial matters. In this he concurred. I told him that several attempts had been made to bring about a combination or a fusion of interests, but they had failed, owing chiefly to the obstructive methods of the Ottoman Bank, which, though nominally an Anglo-French establishment, was in reality a French one. The London board had been quite as obstructive and even more so than the administration of the bank at Paris. The result of the excessive pretensions of the bank in the matter of the Turkish loan had driven the Porte to seek money in Germany. It had obtained it there at a higher price, it was true, than it would have paid for a loan in Paris, but without the political conditions and concessions to the Ottoman Bank which the French Government, at the instance of M. Laurent, a French financial expert whose services had been lent to the Turkish Government as their financial adviser, had been led to insist on. M. Laurent's proceedings had furnished the curious spectacle of an adviser acting in opposition to the wishes of the Government by which he was employed. There had been a divergence of views between the Ministry for Foreign Affairs and the Ministry of Finance. A quotation for a loan by a French group other than the Ottoman Bank was refused by the Ministry of Finance except on conditions which the Porte would not accept. The Ottoman Bank declined to forgo demands which the Porte regarded as excessive, and a loan from France not being negotiable the money was provided by German banks under the auspices of the German Government. German interests had benefited thereby politically and commercially. Germany had posed as the friend in need, and with success.

I further expressed to M. de Selves the opinion that the French Government

rather overrated the effect of the power which the Minister of Finance has to withhold his consent to a quotation in the Paris market of loans or undertakings to which he sees political objections, or to the bringing out of undertakings to which he desires to attach political conditions or promises of expenditure of part of the funds in France. The French Government had been for a long time under the impression that by refusing a quotation for a loan for the construction of the Bagdad Railway they would be able to exact from the company terms for French and British participation in the construction and administration of the railway. This refusal of a quotation, though it delayed the construction and was inconvenient to the company, did not prevent French money being invested in the undertaking. The Ottoman Bank, though it was for a long time denied on its part, but was now admitted, had an agreement which still existed by which there was a mutual understanding between it and the Deutsche Bank (*alias* also the Bagdad Railway Company) to give to one another a 30 per cent. option of all enterprises undertaken in Turkey. The Ottoman Bank therefore had an option of 30 per cent. in the Bagdad Railway. As the shares were not quoted on the Bourse they passed in Paris from bank to bank and from hand to hand, for there were French investors who were ready to put their money into the concern, notwithstanding the prohibition of the French Government of a quotation. Shares were also purchased through Swiss and Belgian banks. There was also another and a roundabout way in which French money assisted the construction of the railway, viz., through the purchase by French investors of shares in German enterprises which the German holders sold in order to invest in the Bagdad Railway.

M. de Selves said that he quite appreciated how shortsighted had been the attitude of giving unlimited support to the Ottoman Bank, and, so far as he was concerned, he would be very glad to see Anglo-French co-operation at Constantinople in financial as well as political questions.

I have, &c.

FRANCIS BERTIE.

[28884]

No. 28.

Mr. Marling to Sir Edward Grey.—(Received July 24.)

(No. 500.)

Sir,

Therapia, July 19, 1911.

WITH reference to my telegram No. 177 of yesterday, I have the honour to report that the negotiations for the public works loan of £ T. 25,000,000 with the Ottoman Bank and the Régie générale have been pushed on very actively of late, and that a final agreement, subject of course to the approval of Parliament, may be reached at an early date. I understand that about four-fifths of the product of the loan, which may be expected to be issued at the price of about 81 net, will be devoted to public works, chiefly railways, the following list of which, taken from the "Jeune Ture" of yesterday, is, so Rifaat Pasha informed me, approximately accurate:—

In Roumelia—

1. Prishtina-Perlepe-Debra-Mat-St. Jean de Medua.
2. Monastir-Resna-Ochrida-Serfidje-Janina-Tchamlik.
3. Ochrida-Debra.
4. Monastir-Istib-Komanova-Bulgarian frontier.
5. Caraferia-Greek frontier.

In Anatolia—

1. Angora-Sivas.
2. Angora-Cesarea and the Russian frontier lines Trebizond-Erzzeroum-Erzincian.

The agreement provides for a "contrat d'études" for these undertakings with preferential rights for eventual construction. The remainder of the loan, which would amount in round figures to some £ T. 4,000,000, will be left at the disposal of the Turkish Treasury, to cover the deficit on the budget and any other purpose.

As regards the construction of the ports of Trebizond and Samsoun, I learn from a director of the National Bank that the bank had informed the Grand Vizier that they were prepared to offer participation in these works to the French, and Mr. Whittall believed that it was in consequence of this offer, which the Grand Vizier had no doubt communicated to the Ottoman Bank, that the French opposition to the National Bank had been withdrawn, and that Hakki Pasha had been able to promise Sir Henry

Babington Smith, on the 17th instant, that he would sign the contract with the National Bank for the harbour works simultaneously with the conclusion of the French agreement.

The contract with the National Bank is, like the French transaction, subject to the assent of Parliament.

I enclose a copy of the draft thereof, which has been kindly furnished me by Sir Henry Babington Smith.*

I have, &c.
CHARLES M. MARLING.

[29103]

No. 29.

Anglo-Persian Oil Company to Foreign Office.—(Received July 24.)

*Winchester House, Old Broad Street, London,
July 22, 1911.*

Dear Mr. Mallet,

I BEG to acknowledge receipt of your letter of the 11th instant, containing Sir Edward Grey's comments upon the draft telegram to Mr. David Brown which I forwarded to you on the 15th ultimo.

The various alterations suggested by Sir Edward have, as you will have seen from the copy I have sent you of the memorandum handed to his Highness Prince Ala-es-Sultaneh, all been adopted.

No reference was made in that memorandum to the gauge, but I have instructed Mr. Brown to leave this question open, as in the general opinion a 2 ft. 6 in. gauge will not suffice for the requirements of the country, and either the metre or 3 ft. 6 in. gauge be necessary.

I have been approached by M. Goukasow, a member of the Russian syndicate for the Trans-Persian Railway, with a view to securing the co-operation of our group, and when you can spare me a few minutes I shall be glad to have an interview with you for the purpose of discussing M. Goukasow's proposals.

Yours truly,
C. GREENWAY.

[28215]

No. 30.

Sir A. Nicolson to India Office.

Sir,

Foreign Office, July 24, 1911.

WITH reference to Mr. Mallet's letter of the 11th instant, relative to schemes of railway construction in Persia, I am directed by Secretary Sir Edward Grey to transmit to you herewith copy of a letter from the managing director of the Anglo-Persian Oil Company,† enclosing a memorandum relative to the projects of the Persian railways syndicate in this connection, which has been handed to the Persian special representative at the Coronation and the Persian Minister at this court.

The Marquess of Crewe will observe that the syndicate propose eventually to extend three of the suggested lines to points within, or on the border of, the Russian sphere of influence.

So far as Sir Edward Grey is aware, these proposals are now made for the first time, and he is disposed, if Lord Crewe concurs, to point out to Mr. Greenway that, while His Majesty's Government understand that there is no intention of applying to the Russian Government for concessions in respect of these extensions at present, they could not authorise such an application by a British group at any time without the previous consent of the Russian Government.

I am, &c.
A. NICOLSON.

* Not printed.

† No. 18.

[29298]

No. 31.

Sir H. Babington Smith to Sir A. Nicolson.—(Received July 25.)

Dear Sir Arthur,

Constantinople, July 21, 1911.

MANY thanks for your letter of the 10th July. We are very much obliged for the action you have taken and for the communication which you have made to M. Cambon.

Probably there has not been time yet for the effects to make themselves felt at Constantinople. I saw the Grand Vizier yesterday, and he told me that M. Bompard had been with him that afternoon, and had renewed his representations about the ports of Samsoun and Trebizond, emphasising again the "bad impression" which would be produced in Paris.

In spite of this opposition, the Ottoman Government still adhere to their decision to conclude the matter with us; but Hakki Pasha says that he would like to defer signing our contract until the arrangements with the French regarding the railway projects are also ready for signature. The matter is not entirely concluded, but he expects that it will be finished shortly, and that certain documents will be signed. These documents, I understand, are of a nature of *contrats d'études* and also certain "declarations," the latter, I presume, referring to the financial side of the question.

We have now signed the contract regarding the financial arrangement for the purchase of a warship in England. The final construction contract still remains to be signed, and our financial arrangements are contingent on the signature of this before the end of the present month. The payments are extended over five years, and the Government give us treasury bills. The greater part of these bills are retained by ourselves and the constructing firms, and the remainder have been placed in London.

The Grand Vizier spoke with anxiety about the delay in the British answer to the Bagdad proposals. He said that the 4 per cent. on the customs was becoming a matter of great urgency for them, and he hinted at the possibility of their being obliged to act without waiting for the assent of the Powers.

I leave Constantinople to-morrow, and arrive in London on the 29th instant. I shall be in London for a week or so before going to Scotland, and I hope that I may have the pleasure of seeing you, if you are not away.

I have, &c.
H. BABINGTON SMITH.

P.S.—Since dictating the above, I have learned, on fairly good authority, that the German chargé d'affaires is instructed to tell the Turkish Government that the German assent to the 4 per cent. was not intended to permit enterprises undertaken by one country only. This refers to their desire to have a share in the large French railway schemes.

H. B. S.

[28227]

No. 32.

Sir A. Nicolson to M. Goukasow.

Sir,

Foreign Office, July 26, 1911.

I HAVE to acknowledge the receipt of your letter of the 17th instant, enclosing a memorandum respecting the projected Trans-Persian Railway and copies of a paper relative to the probable preliminary expenses of its construction.

As regards the chief points raised in the memorandum, viz. (1) the proposed change in the alignment of the railway and (2) the suggestion of a Government guarantee, I beg leave to inform you that reference has been made to the India Office, with the request that the views of the Government of India on these questions may be ascertained.

With regard to the former question, the alignment proposed by His Majesty's Government was only decided on after careful consideration by the Government of India and by all the departments interested, and any suggestion for the substitution of a different one would have to be submitted to examination by all the same authorities.

I am to add that a letter has been addressed to M. Homiakoff direct on the subject,

[1510]

G

and that your wishes as to the address of future communications will be complied with.

I am, &c.
A. NICOLSON.

[28359]

No. 33.

Sir A. Nicolson to Mr. Huth Jackson.

Dear Mr. Huth Jackson,

Foreign Office, July 26, 1911.

I AM much obliged to you for your letter of the 18th July, giving particulars of your recent interview with Messrs. Bark and Goukassow about the Trans-Persian Railway.

I have received the memorandum of which these gentlemen spoke to you, and it will be sent to the India Office for reference to the Government of India.

Yours sincerely,
A. NICOLSON.

[28518]

No. 34.

Sir Edicard Grey to Russian Embassy.

HIS Majesty's Principal Secretary of State for Foreign Affairs has had the honour to receive the communication left at this Office by the First Secretary of the Russian Embassy on the 20th instant, proposing a change in the alignment adopted by His Majesty's Government for the projected Trans-Persian Railway.

Sir E. Grey has the honour to inform M. Sévastopoulo, in reply, that the proposed alignment was decided on only after careful consideration of the question by the Government of India and all the interested departments of His Majesty's Government, and that the whole matter will have to be re-examined by the same authorities before an answer can be returned to the proposal of the Russian Government.

Foreign Office, July 26, 1911.

[29103]

No. 35.

Foreign Office to Anglo-Persian Oil Company.

Dear Mr. Greenway,

Foreign Office, July 26, 1911.

IN the absence of Mr. Mallet, who will be away till the end of the present month, I answer your letter to him of the 22nd July on the subject of railways in Persia.

I note the alterations introduced into your instructions to Mr. Brown, as shown in the memorandum handed by you to Ala-es-Sultaneh and Mehdi Khan.

Mr. Mallet will, no doubt, be happy to receive you on his return, and in the meanwhile you may like to know that this Office has also been in correspondence with M. Gukassow, who is acting on behalf of the Russian promoters of the Trans-Persian railway scheme.

The Russian group are anxious that the alignment decided on by His Majesty's Government should be changed, and have broached the question of a Government guarantee for the railway, and M. Gukassow has been told that these questions have been referred to the India Office in order that the views of the Government of India may be obtained. It was added that the proposed alignment was adopted only after careful consideration by the Government of India and all the departments interested, and that any suggestion for the substitution of a different one would have to be submitted to examination by all the same authorities.

Yours sincerely,
R. P. MAXWELL.

[28518]

No. 36.

Foreign Office to India Office.

Foreign Office, July 26, 1911.

Sir,

WITH reference to your letter of the 6th April last, relative to the proposed Trans-Persian Railway, I am directed by Secretary Sir Edward Grey to transmit to you herewith copies of correspondence on the subject,* from which it will be observed that both the Russian promoters of the scheme and the Russian Government object to the alignment adopted by His Majesty's Government for the portion of the line within the British sphere of influence in Persia, and that both those promoters and Messrs. Baring Brothers and Co. (Limited) have also broached the question of a Government guarantee of the line.

I am to request that the views of the Government of India may be obtained on these two points, and that the Marquess of Crewe will also favour Sir E. Grey with his observations on the subject.

I am, &c.
LOUIS MALLET.

[28300]

No. 37.

Memorandum communicated to the Turkish Ambassador, July 29, 1911.

(Confidential.)

HIS Majesty's Government have not failed to give their careful attention to the important proposals contained in the memorandum of the 1st March last from the Ottoman Government.

These proposals, though they affect interests so closely interwoven that they cannot be settled independently the one of the other, have, for the purpose of convenience, been set forth under three distinct headings:—

- (i.) The Bagdad Railway question.
- (ii.) The respective interests of Great Britain and Turkey in the region of the Persian Gulf.
- (iii.) An increase from 11 per cent. to 15 per cent. *ad valorem* in the Turkish customs duties.

(i.) *The Bagdad Railway Question.*

On various occasions His Majesty's Government have indicated the conditions under which they would favour the participation of British capital in this enterprise; and, while it is not now proposed to recapitulate the earlier stages of this question, it may be recalled that in July 1910, as a result of prolonged discussions with the Ottoman Minister of Finance who was then in London, it was intimated that an arrangement securing to British interests a representation of 55 per cent. of the whole in regard to the Gulf sections of the line might be regarded as a satisfactory solution,—and, having regard to the great preponderance of certain interests in other sections of the line, such a proportion cannot well be looked upon as excessive, especially if the great extent of British trade in those regions and the vast tonnage of British shipping are borne in mind.

Since the arrangement laid before Djavid Bey represented a large measure of concession on the part of His Majesty's Government, they have received the suggestions now made by the Ottoman Government with some surprise.

The Turkish proposals for the final portions of the railway are that a new company should be formed, and that the capital should be divided between the Ottoman Government, who would receive 40 per cent. of the whole, and British, French, and German groups, who would each receive 20 per cent. The details of the financial arrangements are left for subsequent settlement between the parties interested.

His Majesty's Government regret that they are unable to accept these proposals. If a new company is formed for the construction and working of the railway south of Bagdad, and if it is to be constituted upon an international basis, His Majesty's

* Nos. 16, 19, 21, 25, 26, 32, 33, and 34.

Government can only accede to such an arrangement provided that British interests are represented in a degree at least equal to that of any other Power including Turkey, and, in order to effect this and with a view to emphasising the international and commercial character of the undertaking, they would suggest that Russia should be admitted to participation and that the percentage allotted to each country should be 20 per cent.

Assuming that this distribution is adopted, His Majesty's Government consider that a Convention should be concluded by the Powers concerned providing for the exclusion of differential rates on any railways in Asiatic Turkey, and for equality of treatment in regard to transport facilities and cognate matters; for the alignment of the railway south of Bagdad and the conditions under which it is to be constructed; for the introduction of approved financial arrangements tending to foster the development of traffic; and for guaranteeing that the interest in the enterprise of the several parties concerned shall be of lasting duration and not subject to termination on the expiry of the Bagdad Railway concession.

It would furthermore be necessary for the Ottoman Government to undertake formally not to impose river dues on British shipping or cargoes without the assent of His Majesty's Government.

There remains the question of the terminal port: having regard to the fact that important commercial interests are already established at Bussorah, His Majesty's Government cannot but feel that substantial advantages would accrue from the establishment of the terminus at that point; and they consider that the port should be constructed and controlled by the proposed new company in the interests of the unrestricted commerce of all nations. But if such an arrangement is adopted, they must stipulate that, in the event of the railway ever being prolonged to the Persian Gulf, it must be brought to Koweit under conditions to be settled by agreement between Great Britain and Turkey alone, and a clause to this effect must be embodied in a convention dealing with these matters.

(ii.) *The respective Interests of Great Britain and Turkey in the Region of the Persian Gulf.*

His Majesty's Government are willing to meet the wish expressed in the concluding paragraphs of the Turkish memorandum that a precise definition may be reached as to the respective position of the two countries, commercially and politically, in the Persian Gulf; and they see no reason why a lasting settlement of the questions involved should not be reached. His Majesty's Government are in no sense opposed to the legitimate claims of the Turkish Government. The most southerly point to which they have ever recognised such claims on the littoral of the Persian Gulf is Ojeir, in the district of El Katif. South of this point there is no trace of Turkish power ever having been paramount; in 1870 the Ottoman Minister for Foreign Affairs conveyed to Her Majesty's Ambassador formal assurances that the Sublime Porte did not entertain any intention of obtaining supremacy over Bahrein, Muscat, or the independent tribes on the coast of the Persian Gulf; and it is only since that date that certain attempts have been made by the Ottoman Government to establish mudirates and other emblems of Turkish authority at points to the south of Ojeir.

The position of His Majesty's Government in regard to these tribes has been entirely different. With Bahrein they have had direct relations since 1805; these relations have found concrete expression in a series of treaties dating from 1820, and having as their objects the suppression of piracy and the slave trade; the regularity of the succession to the throne; the protection of the island against foreign aggression; and the safety of the pearl industry, of which Bahrein is the centre. In Muscat and the territories of the Trucial Chiefs His Majesty's Government have, in virtue of various treaties and agreements, conferred similar benefits for many years; and their policy in each case has been inspired by the importance of upholding the maritime peace, of securing open markets to the commerce of all countries, and of protecting the long-established interests of British-Indian subjects.

His Majesty's Government cannot acquiesce in any arrangement which might restrict or undermine the authority which they have exercised uninterruptedly with such beneficial results; they conceive that any extension of Turkish jurisdiction along the littoral of the Persian Gulf to the south of Ojeir would be prejudicial to those results and unsupported by any legitimate claims of Turkish sovereignty; and they have accordingly resisted any attempts which have been made to encroach upon these regions. They are therefore of opinion that any lasting settlement between the two Powers must provide for the definite renunciation by the Ottoman Govern-

ment of Bahrein and adjacent islands and of the whole of the Peninsula of El Katr (including El Bidaa), where the Sheikh of Bahrein has important rights; and they consider that such a settlement would finally remove a perennial source of local friction.

The Ottoman Government express a wish to regularise the relations of Koweit towards the Ottoman Empire, and His Majesty's Government will gladly contribute to such a solution, on the understanding that their rights and claims are not to be regarded as prejudiced by any proposals which may now be put forward, should such proposals prove abortive.

As the Ottoman Government are aware, His Majesty's Government have never admitted that Koweit is under Turkish protection, and, inasmuch as some divergence of opinion was manifested between the two Governments as to the position there, a *modus vivendi* was reached in September 1901 by His Majesty's Government consenting to give an assurance that, provided the Turkish Government abstained from sending troops to Koweit and respected the *status quo* there, they would not occupy that place or establish a British protectorate over it.

British trade relations with the Sheikhs of Koweit have existed for upwards of two centuries and, inasmuch as the place has attracted merchants from all quarters by the equity of its rule and the freedom of its trade, His Majesty's Government could not consent to any interference with the succession or with the internal administration, or any infringement of the complete autonomy of the Sheikh. On the other hand, they are prepared to recognise Turkish suzerainty over Koweit, and to recognise the Sheikh as a Turkish Kaimakam, provided in other respects the *status quo* is guaranteed, and the validity of certain agreements which the Sheikh has concluded with the British Government is recognised; provided the islands of Warba and Bubian are admitted by Turkey to be within the confines of Koweit, and Turkish military posts are withdrawn; and provided finally the Sheikh is admitted to the full and undisturbed enjoyment of any properties he may own or hereafter purchase on Turkish territory. Koweit would thus form a sort of *enclave* within, and forming part of, the Ottoman Empire, but enjoying complete self-government under Turkish suzerainty.

Certain difficulties have recently arisen in regard to the buoyage of the Shat-el-Arab. For a great number of years British shipping has, owing to its volume, been predominantly, and until recently almost exclusively, interested in these aids to navigation. For over fifty years the work of surveying, buoying, and lighting the river has been carried out by British agency to the general satisfaction of all concerned.

In these circumstances, His Majesty's Government have some difficulty in appreciating why the Ottoman Government have taken exception to existing and long-standing arrangements; but, being desirous of dealing with the difficulty in a spirit of conciliation, they would propose to the Ottoman Government the appointment of a small riverain commission, composed of a British and a Turkish representative, with an engineer to be mutually agreed upon. This commission would superintend all matters pertaining to improvement of navigation, and it would likewise superintend the requisite periodical surveys.

As regards the rest of the Persian Gulf, on the other hand, the Turkish Government, so far as they are concerned, would recognise the right of Great Britain (a) to control surveying, lighting, buoying, and pilotage; (b) to police its waters; and (c) to conduct all quarantine arrangements.

(iii.) *The Increase from 11 per cent. to 15 per cent. ad valorem in the Turkish Customs Duties.*

His Majesty's Government have consistently maintained that they could in no circumstances assent to the increase in the Turkish customs duties unless a previous and satisfactory settlement had been reached in regard to the Bagdad Railway question.

To this attitude they adhere; and while they consider that such a settlement might be promoted on the lines of an agreement such as has already been indicated, they could not regard a settlement confined to the railway as either satisfactory or complete, since it would leave in a state of uncertainty a number of questions closely affecting British interests in the regions of Mesopotamia and the Persian Gulf. His Majesty's Government are in principle favourable to railway construction in Turkey; but they cannot directly contribute to the completion of the Bagdad Railway if it is to introduce a further element of possible disturbance into an area where

British rights and interests have, especially of late, been wantonly assailed; nor do they feel that they could justify to British public opinion the imposition of a tax which will affect British trade,—amounting in Mesopotamia to some 60 per cent. of the whole,—unless they have provided for a general settlement of political issues in the Persian Gulf, such as the Ottoman Government themselves desire to bring about, and unless they have obtained some compensation for and a guarantee against the continuance of arbitrary acts such as the demolition, on no adequate pretext, of British property in Bagdad.

If the Ottoman Government are prepared to enter upon a negotiation on these lines, and to concur, as already stipulated, in a removal of the existing veto on the borrowing powers of Egypt,—a measure which is called for in the interests of financial reform in Egypt,—His Majesty's Government will make it their first aim to contribute to an agreement likely to remove all causes of friction between the two Powers; and they will not only consent, subject to the concurrence of other Powers and to the due observance of such agreement, to the further increase of the Turkish customs for a fixed period, but they will likewise agree to the continued levy of the 3 per cent. customs increase, which had only been sanctioned provisionally till the year 1914.

Foreign Office, July 29, 1911.

[30032]

No. 38.

Mr. Marling to Sir Edward Grey.—(Received July 31.)

(No. 524.)

Sir,

Therapia, July 25, 1911.

WITH reference to my despatch No. 500 of the 19th July, I have the honour to transmit to you herewith an extract from the usually well-informed "*Gazette Financière*" of the 18th instant,* containing some further information as to the Turkish projects of railway construction in European Turkey.

The route of the Danube-Adriatic Railway is stated to leave the Servian frontier at Merdare, whence it passes through Prishtina to Prizrend, cutting across the Uskub-Mitrovitza line not far from Prishtina. From Prizrend, instead of proceeding directly westwards to the coast, the line is to make a big bend southwards towards Dibre, and thence north-westward again to San Giovanni di Medua, and finally Scutari. This very roundabout route does not appear to have been selected on its merits, but, as the "*Gazette Financière*" drily observes, it must be considered as an elegant solution of a difficult problem, i.e., of finding a *tracé* to which no political objections can be found.

It will be remembered that Austrian opposition to the Danube-Adriatic scheme was largely founded on the fact that such a line, being much shorter, would compete at a great advantage with the existing Uskub-Salonica line. To overcome this difficulty the new *tracé* has therefore been calculated so as to offer, in point of distance, little or no difference in its favour.

Two other lines the routes for which have been decided on are from Monastir to Yanina and the coast, passing through Resne and Ochrida, and a line north-eastwards from Monastir to the Bulgarian frontier via Perlepe, Ishtib, and Kotehana, while the linking-up of the Danube-Adriatic Railway with the Monastir-Janina lines is contemplated by means of a railroad between Dibre and Ochrida.

I understand that all these lines will be of normal gauge.

There is no mention of the construction of a line to connect the Greek and Turkish systems.

Besides this somewhat extensive plan for railways in Roumelia there is contemplated also the no less important system in Asia Minor, of which, however, the "*Gazette*" gives no details.

I have, &c.

CHARLES M. MARLING.

* Not printed.

[29928]

No. 39.

Sir G. Buchanan to Sir Edward Grey.—(Received July 31.)

(No. 205. Secret.)

Sir,

St. Petersburg, July 14, 1911.

HAVING failed to find the Acting Minister for Foreign Affairs at home on the receipt of your telegram No. 335 of the 13th instant, I at once addressed an urgent private letter to his Excellency reminding him of the categorical assurances which M. Sazonow had given me with regard to the meaning of the term "Bagdad Railway," and urging on him the necessity of explaining clearly to the German Ambassador that under article 3 of the draft agreement Russia was taking no engagement which could in any way hamper her liberty of action as regarded the proposed 4 per cent. increase in the Turkish customs.

On calling on his Excellency by appointment this afternoon, I was informed by M. Nératof that he had just handed the amended text of the agreement to the German Ambassador. In doing so he had called Count Pourtalès's attention to the words "*sacrifices pécuniaires et économiques*," and had explained to him quite clearly that Russia was taking no engagement whatsoever on the question of the 4 per cent. customs increase. He had further informed his Excellency that he reserved to himself the right to attach to the term "Bagdad Railway" the interpretation which Russia had placed on it, namely, the railway as far as Bagdad. This, he had said, was to the best of his belief the sense in which M. Sazonow had always interpreted it during the Potsdam conversations, and he would therefore have to assure himself of what had really been in M. Sazonow's *pensée* with regard to it before the moment came for attaching his signature to the agreement.

I had so often in previous conversations pressed M. Nératof respecting these two points without obtaining any definite promise from him, that I was agreeably surprised to find that he had held this language to the German Ambassador. I do not, however, think that there is any likelihood of Germany consenting to sign the agreement if Russia merely engages not to oppose the construction of the railway as far as Bagdad. Such an engagement would not under present circumstances be of the slightest value to Germany, and if therefore M. Nératof insists on adhering to his interpretation of the term "Bagdad Railway" the negotiations are almost certain to break down. In spite of the categorical assurances which M. Sazonow repeatedly gave me that the conversations at Potsdam had only dealt with the Konieh-Bagdad line, his Excellency must, I think, have been entrapped into saying something which gave Germany good grounds for asserting that he had undertaken to withdraw Russia's opposition to the whole railway down to the Gulf. When, after the publication of the draft agreement in the "*Evening Times*," M. Sazonow informed me that it would in consequence be necessary to remodel the entire draft, I observed that such a revision of the text would afford him the desired opportunity of modifying the term "Bagdad Railway" so as to render the meaning perfectly clear. He, however, at once replied that this was impossible, as Germany would never consent to it. It is therefore very doubtful whether M. Nératof will be more successful in overcoming Germany's opposition to such a change in the text.

The question thus arises whether M. Nératof is prepared to risk a rupture of the negotiations in order to carry this point. I hardly think so, though he might be prepared to go to greater lengths than M. Sazonow if he has really a free hand in the matter, and for two reasons:—

In the first place, he has not the same pressing reasons for wishing to bring the negotiations to a successful termination. He was not responsible for initiating the Potsdam conversations, nor for the pæans raised by the Russian press when M. Sazonow returned from Berlin with the fruits of what he imagined was a great diplomatic success. With M. Sazonow the signature of the agreement in some form or another was a question of *amour-propre*, as his reputation as a diplomatist was at stake. This is not the case with M. Nératof.

In the second place, I have noticed since I returned to St. Petersburg that M. Nératof speaks of the eventual termination of the negotiations with a tone of perfect indifference. He does not seem to care if they are indefinitely prolonged or if they are brought to a speedy conclusion, and I cannot help feeling that the manner in which Germany has intervened in the Moroccan question, despite the arrangement with France in 1909, has been an object lesson to him. The value of an understanding

with Germany has, I think, much depreciated in his eyes. His language to me, though reserved, leaves but little doubt as to what he thinks of the methods of German diplomacy. In speaking to me yesterday of the negotiations at present proceeding between France and Germany, his Excellency remarked that the Agadir incident would probably be closed by Germany receiving compensation somewhere else than in Morocco. He added, however, that he entirely failed to see any justification for Germany's claim to compensation.

I have, &c.

GEORGE W. BUCHANAN.

[30356]

No. 40.

Memorandum communicated to French/Russian/German Ambassador, July 31, 1911.

HIS Majesty's Government have now communicated to the Ottoman Ambassador a memorandum dealing with the proposals made to them by the Sublime Porte on the subject of the proposed increase in the Turkish customs duties.

Sir E. Grey considers it desirable that the French/Russian/German Government should forthwith be acquainted with the reply of His Majesty's Government in regard to the Bagdad Railway, which is as follows:—

"On various occasions His Majesty's Government have indicated the conditions under which they would favour the participation of British capital in this enterprise; and, while it is not now proposed to recapitulate the earlier stages of this question, it may be recalled that in July 1910, as a result of prolonged discussions with the Ottoman Minister of Finance, who was then in London, it was intimated that an arrangement securing to British interests a representation of 55 per cent. of the whole in regard to the Gulf sections of the line might be regarded as a satisfactory solution,—and, having regard to the great preponderance of certain interests in other sections of the line, such a proportion cannot well be looked upon as excessive, especially if the great extent of British trade in those regions and the vast tonnage of British shipping are borne in mind.

"Since the arrangement laid before Djavid Bey represented a large measure of concession on the part of His Majesty's Government, they have received the suggestions now made by the Ottoman Government with some surprise.

"The Turkish proposals for the final portions of the railway are that a new company should be formed, and that the capital should be divided between the Ottoman Government, who would receive 40 per cent. of the whole, and British, French, and German groups, who would each receive 20 per cent. The details of the financial arrangements are left for subsequent settlement between the parties interested.

"His Majesty's Government regret that they are unable to accept these proposals. If a new company is formed for the construction and working of the railway south of Bagdad, and if it is to be constituted upon an international basis, His Majesty's Government can only accede to such an arrangement provided that British interests are represented in a degree at least equal to that of any other Power including Turkey, and, in order to effect this and with a view to emphasising the international and commercial character of the undertaking, they would suggest that Russia should be admitted to participation and that the percentage allotted to each country should be 20 per cent.

"Assuming that this distribution is adopted, His Majesty's Government consider that a Convention should be concluded by the Powers concerned providing for the exclusion of differential rates on any railways in Asiatic Turkey, and for equality of treatment in regard to transport facilities and cognate matters; for the alignment of the railway south of Bagdad and the conditions under which it is to be constructed; for the introduction of approved financial arrangements tending to foster the development of traffic; and for guaranteeing that the interest in the enterprise of the several parties concerned shall be of lasting duration and not subject to termination on the expiry of the Bagdad Railway Concession.

"It would furthermore be necessary for the Ottoman Government to undertake formally not to impose river dues on British shipping or cargoes without the assent of His Majesty's Government.

"There remains the question of the terminal port: having regard to the fact that important commercial interests are already established at Bussorah, His Majesty's Government cannot but feel that substantial advantages would accrue from the establishment of the terminus at that point; and they consider that the port should be constructed and controlled by the proposed new company in the interests of the unrestricted commerce of all nations. But if such an arrangement is adopted, they must stipulate that, in the event of the railway ever being prolonged to the Persian Gulf, it must be brought to Koweit under conditions to be settled by agreement between Great Britain and Turkey alone, and a clause to this effect must be embodied in a convention dealing with these matters."

The reply of His Majesty's Government deals in addition with a suggestion of the Ottoman Government that it is desirable to define the respective interests of the two Powers in the region of the Persian Gulf; and it makes certain proposals which it is

hoped will lead to a satisfactory settlement: the memorandum concludes in the following terms:—

"If the Ottoman Government are prepared to enter upon a negotiation on these lines, and to concur, as already stipulated, in a removal of the existing veto on the borrowing powers of Egypt,—a measure which is called for in the interests of financial reform in Egypt,—His Majesty's Government will make it their first aim to contribute to an agreement likely to remove all causes of friction between the two Powers; and they will not only consent, subject to the concurrence of other Powers and to the due observance of such agreement, to the further increase of the Turkish customs for a fixed period, but they will likewise agree to the continued levy of the 3 per cent. customs increase, which had only been sanctioned provisionally till the year 1914."

Foreign Office,

July 31, 1911.

[30338]

No. 41.

India Office to Foreign Office.—(Received August 1.)

Sir,

India Office, July 31, 1911.

I AM directed by the Secretary of State for India to acknowledge the receipt of your letter of the 24th instant regarding an application made by the Persian Railways Syndicate to the Government of Persia for concessions to construct railways in that country.

It will be remembered that when His Majesty's Government applied for a concession for a railway from Mohammerah to Khorembad, the Persian Government felt two difficulties about granting it, viz., (1) that it was made by a Government; (2) that by approving a railway that stopped on the border of the Russian zone they would appear to recognise the quasi-partition of Persia. The first difficulty His Majesty's Government removed by announcing to His Majesty's Minister at Tehran their intention to "stand aside entirely" (Sir E. Grey's telegram No. 132 of the 4th May). But, if the course now contemplated by Sir E. Grey is adopted, and the application by the Persian Railways Syndicate is limited to lines in the British sphere of influence, the second difficulty will remain and will doubtless seriously prejudice the prospect of any concession being granted.

In view of the importance that Lord Crewe attaches to certain of the concessions (especially that from Mohammerah to Khorembad) being in British hands, he would regard this result with great regret, and in order to avoid doing anything that might contribute to bring it about, he would suggest that Mr. Greenway's letter should be left unanswered; but, that, if this is impracticable, it will suffice to refer to article 1 of the Anglo-Russian Convention, and say that of course the syndicate will not ask for the support of His Majesty's Government as regards these extensions.

With every desire that His Majesty's Government should loyally observe the spirit and letter of the Anglo-Russian Convention his Lordship feels rather strongly that it is impossible to enforce the same high standard of self-denial on private British undertakings without opening the door to the subjects of other Powers who are hampered by no such restrictions.

I am, &c.

EDWIN S. MONTAGU.

[30499]

No. 42.

Enclosures in India Office Letter.—(Received at Foreign Office, August 1.)

(1.)

Lieutenant-Colonel Cox to the Government of India.

(Confidential.)

Bushire, June 25, 1911.

WITH reference to Foreign Department telegram, dated May 22nd, intimating the nature of the advice to be given to the Sheikh of Koweit in regard to the attitude which he should adopt towards the German firm and consul at Bussorah, I have the honour to submit, for the information of Government, a copy of the political agent's letter reporting the action taken by him to give effect to his instructions.

[1510]

I

Captain Shakespear to Lieutenant-Colonel Cox.

(Confidential.)

Kowceit, June 14, 1911.

IN acknowledging the receipt of your second assistant's endorsement, dated the 6th June, 1911, I have the honour to report that I communicated to Sheikh Mubarak, in the course of an interview, the sense of the first part of Foreign Department telegram, dated the 22nd May, 1911.

2. The sheikh said that he had received no further communication from the German consul at Bussorah, nor had he seen him during his last visit to Failieh. He would bear in mind the advice given and, should he be again addressed, would return an answer in the terms suggested.

[30491]

No. 43.

Anglo-Persian Oil Company to Foreign Office.—(Received August 2.)

*Winchester House, Old Broad Street, London,
August 1, 1911.*

Sir,

I BEG to enclose copy of a telegram which I have received from our representative in Tehran, Mr. David Brown, with reference to railways.

The draft concession referred to will, I hope, be dispatched in a few days.

I have, &c.

C. GREENWAY,
Managing Director.

Enclosure in No. 43.

Mr. Brown to Mr. Greenway.

(Telegraphic.)

Tehran, July 31, 1911.

TIME(S) very favourable for putting through railway(s) concession leaving security(ies) to be arranged for later. Do you approve of? Send immediately draft concession.

[30338]

No. 44.

Foreign Office to India Office.

Sir,

Foreign Office, August 5, 1911.

I AM directed by Secretary Sir Edward Grey to acknowledge the receipt of your letter of the 31st ultimo relative to the application of the Persian railways syndicate to the Government of Persia for concessions to construct railways in that country.

I am to state that, in Sir E. Grey's opinion, Mr. Greenway might think it discourteous if no reply were returned to his letter of the 15th ultimo, but that in view of the considerations advanced in your communication the answer to that gentleman will take the form desired by the Marquess of Crewe, and not that suggested in the letter of the 24th ultimo from this Office.

I am, however, to observe in this connection that, so far as Sir E. Grey is aware, the syndicate have no intention of applying for concessions in respect of the three extensions in question at this moment, and that the lines with which their present application is concerned lie entirely outside the Russian sphere, and would therefore, from the point of view of the Persian Government, be open to the second of the two objections mentioned in your letter.

I am, &c.

LOUIS MALLET.

[30338]

No. 45.

Foreign Office to Mr. Greenway.

Sir,

Foreign Office, August 5, 1911.

I AM directed by Secretary Sir Edward Grey to acknowledge the receipt of your letter of the 15th ultimo, forwarding copy of the memorandum handed by you to the Persian special representative at the Coronation and to the Persian Minister at this Court, giving a sketch of the proposals of the Persian railways syndicate with regard to railway construction in Persia.

I am to express to you Sir E. Grey's thanks for this communication, and to state he finds nothing in the memorandum to which His Majesty's Government could object.

I am to point out, however, with regard to the proposed extensions of the first three of the projected lines, of the intended construction of which Sir E. Grey now hears for the first time, that they will end at points touching, or within, the border of the Russian sphere of influence in Persia, and that Sir E. Grey accordingly presumes that in view of the terms of article 1 of the Anglo-Russian Arrangement of the 31st August, 1907, the syndicate will not ask for the support of His Majesty's Government in connection with them.

Sir E. Grey understands that the syndicate have no intention of applying immediately for concessions to build these extensions.

I am, &c.

LOUIS MALLET.

[30989]

No. 46.

Sir G. Louther to Sir Edward Grey.—(Received August 8.)

(No. 548.)

Therapia, August 2, 1911.

Sir,

WITH reference to Mr. Marling's despatch No. 524 of the 25th ultimo, I have the honour to report that the convention between the Régie générale des Chemins de Fer and the Ottoman Minister of Public Works, respecting the construction of railways in Roumelia and Anatolia, was signed on Saturday, the 29th ultimo.

As regards the former system, the general tracés of which were correctly given in the above-mentioned despatch, the Régie undertakes to make the surveys and draw up estimates of the cost of construction, and, in the event of the estimates being approved by the Ottoman Government and Legislature, concessions for the lines will be granted to the Régie. If, however, the estimates are deemed to be excessive, the Government will buy the plans, &c., from the French company and put the works up for tender, the Régie having not only the right to tender, but also preferential rights, on equal terms, as against other tenderers.

In the case of the Anatolian railways the contract is a definitive one, and not merely a "contrat d'études," the Régie undertaking to build the lines for and on behalf of the Ottoman Government. The lines in question are—

1. Samsoun-Sivas;
2. Sivas-Erzindjan-Erzzeroum; and
3. Trebizond-Erzzeroum.

The Régie further agrees to survey two other lines, i.e., Sivas-Divrik-Kharput and Kharput-Erzzeroum, on behalf of the Government.

The Imperial Ottoman Bank is a party to this arrangement, and further, by a separate convention, undertakes to provide the money required for these undertakings and, I understand, also an additional considerable sum which will be utilised to cover the anticipated budgetary deficits during the next four or five years. The total to be advanced by the Bank to the Porte under this arrangement cannot, of course, be definitely fixed until the surveys and estimates for both the Albanian and Anatolian railways have been completed, but it is believed that the whole amount will be something like £ T. 36,000,000 nominal, of which £ T. 25,000,000 will be devoted to these railways and to other undertakings, such as irrigation works, leaving £ T. 11,000,000 at the disposal of the Minister of Finance.

I have not yet been able to ascertain what guarantees are to be given for the service of this large loan. The traffic receipts of the Anatolian lines, which are to be

administered as well as constructed by the Régie générale, are stated to have been agreed on, but it is asserted that the Imperial Ottoman Bank is also demanding the customs receipts of the Black Sea ports. Whether the French Government intends, through the Imperial Ottoman Bank, to take this opportunity of again insisting on any of the conditions which they attached to the grant of the "côte" on the Paris Bourse in connection with the loan negotiations a year ago or not I do not know, but it is significant that there has, so far, been no mention of any such stipulations; on the contrary, the French Government, so far from raising any difficulties, appear to be anxious to facilitate the transaction, and, according to the Turkish press, are ready, if the bargain is concluded, to give their assent to the 4 per cent. increase of the customs and to the application of the new Temettu law to French citizens.

The Germans, of course, have not failed to ask for compensation for this considerable extension of French interests, and have obtained, I understand, for the Anatolian railways promises of the concession for branch lines from Angora to Sivas and from Angora to Kasariéh, in addition to the Ada Bazaar-Bolu Railway, which has already been sanctioned by the Chamber of Deputies. They are, however, feeling the way towards further concessions, and I have been informed that they are sending an engineer to report on the possibilities of a branch line to Arghana, where is situated the well-known copper mine which was to be specially included in the Chester concession. From this it may be concluded that, in German opinion, the French agreements have put a nail in the coffin of the Chester scheme, and it might, therefore, perhaps be worth while for Mr. D'Arcy to renew his application for the concession for the petroleum field in eastern Anatolia. Mr. D'Arcy's agent is absent from Constantinople.

I have, &c.
GERARD LOWTHER.

[31323]

No. 47.

Admiralty to Foreign Office.—(Received August 8.)

(Confidential.)

Sir,

Admiralty, August 5, 1911.

WITH reference to Admiralty letter of the 29th May, and to your letter of the 3rd June, respecting the buoys and lights in the Shatt-el-Arab, I am commanded by my Lords Commissioners of the Admiralty to acquaint you, for the information of the Secretary of State for Foreign Affairs, that they concur in the opinion expressed by the Commander-in-chief, East Indies, in his letter of the 11th May, that if an acetylene inner bar buoy be placed, the British buoys will be sufficient, and the lighting of the bar will be satisfactory for the present purposes of navigation.

2. It appears from the report from His Majesty's ship "Odin," dated the 5th May, copy of which was enclosed with Admiralty letter of the 20th June, that a British inner bar buoy has been laid opposite the Turkish inner bar buoy.

3. The British buoy is on the eastern or Persian side of the channel, and it is suggested that it should now be replaced by an acetylene lighted buoy. This would be preferable to placing the acetylene buoy in the position now occupied by the Turkish buoy, as the removal of this buoy would probably lead to international difficulties.

4. The proposal to moor a light-ship 4 or 5 miles to seaward of the gas outer buoy was previously made by the commander-in-chief in his letter of the 25th February, addressed to the Government of India, but action on it is suspended pending the receipt of detailed estimates (*vide* India Office letter of the 5th ultimo, forwarding copy of a telegram from the Government of India dated the 27th June). My Lords consider that a second light-vessel in the position proposed would still be desirable, even if the Turkish light-vessel takes the place of the outer bar buoy.

5. A similar letter has been sent to the India Office.

I am, &c.
W. GRAHAM GREENE.

[31522]

No. 48.

Anglo-Persian Oil Company to Foreign Office.—(Received August 10.)

Winchester House, Old Broad Street,

London, August 9, 1911.

Sir,

I BEG to enclose copy of telegram which I received yesterday from Mr. D. Brown with reference to the application for railway concessions.

I have, &c.

C. GREENWAY,
Managing Director.

Enclosure in No. 48.

Mr. Brown to Mr. Greenway.

Tehran, August 5, 1911.

THERE is strong feeling (?) here in favour of pressing through measure(s) to secure(s) development(s) of country in event of any political change (?). It is essential, therefore, that you telegraph immediately draft(s) contract in order that I may press(es) forward without delay(s). To ensure secrecy telegraph via Eastern.

[31551]

No. 49.

Sir G. Buchanan to Sir Edward Grey.—(Received August 10.)

(No. 179.)

(Telegraphic.) P.

St. Petersburg, August 10, 1911.

RUSSO-GERMAN negotiations. My despatch No. 201 of the 12th July.

(Secret.)

M. Nératof has been informed by the German Ambassador, who returned to St. Petersburg last night from Berlin, that the amended text of the draft agreement is accepted by the German Government.

It is only with regard to article 4 that there will be any modification of the text, while it is probable that a fifth article will be added. This additional article will stipulate that, in the event of the Russian Government informing Germany, two years after the line from Sadijeh has reached Khanikin, that they renounce all idea of constructing the line from Khanikin to Tehran, either on their own account or through the agency of a syndicate of foreign financiers, then Germany will be at liberty to obtain the concession for that line from the Persian Government.

Count Pourtales told M. Nératof that Russia was recognised by his Government as possessing full liberty of action with regard to the 4 per cent. customs increase, but that the German Government could only accept the term "Bagdad Railway" as applying to the whole railway, this being the interpretation which they had always understood those words to bear.

I asked M. Nératof whether he still intended to adhere to the reserve on this point which he had made verbally. He replied that the interpretation was still open to question, but added that, now that Germany recognised Russia's right to withhold her consent to the customs increase, the question of the interpretation of the words was no longer a matter of great importance.

From our conversation I gathered that M. Nératof would not insist any further, and that the signature of the agreement might be expected at an early date. His Excellency has promised that, before signing the agreement, he will communicate the text to me.

[30989]

No. 50.

Sir Edward Grey to Sir G. Louther.

(No. 297.)

(Telegraphic.) P.

Foreign Office, August 10, 1911.

BLACK SEA harbour works.

Please report by telegraph whether signature of contract with National Bank for the above works has actually taken place.

See your despatch No. 548 of the 2nd August and last paragraph but two of Mr. Marling's despatch No. 500, Confidential, of the 18th July.

[31788]

No. 51.

Anglo-Persian Oil Company to Foreign Office.—(Received August 12.)

*Winchester House, Old Broad Street, London,
August 10, 1911.*

Dear Mr. Mallet,

I THINK you will like to know that the constitution and membership of the Persian Railways Syndicate was finally settled at a meeting of the proposed subscribers which was held at my office yesterday.

The capital of the syndicate has been fixed at 15,000*l.*, and the subscribers so far arranged are as follows:—

Representing the Anglo-Persian Oil Company group—						£
The Right Hon. Lord Strathcona and Mount Royal	..	..	..	..	..	500
Mr. W. K. D'Arcy	..	..	..	..	..	425
Mr. J. T. Cargill	..	..	..	..	..	425
Mr. C. W. Wallace	..	..	..	..	..	425
Mr. C. Strick	..	..	..	..	..	625
Mr. C. Greenway	..	..	..	..	..	425
Mr. J. R. Preece	..	..	..	..	..	175
Representing the Imperial Bank of Persia group—						
Sir Thomas Jackson, Bart.	..	..	..	..	..	1,000
Sir Thomas Gordon	..	..	..	..	..	750
Mr. V. A. C. Hawkins	..	..	..	..	..	750
Representing the British India Steam Navigation Company group—						
Lord Inchcape	..	..	..	..	..	313
Mr. W. A. Buchanan	..	..	..	..	..	312
Sir John Ellerman, Bart.	..	..	..	..	..	625
Representing the British and Foreign General Securities and Investments Trust (Limited)—						
Mr. T. B. Bowring	..	..	..	..	..	200
Mr. Alex. B. Williamson	..	..	..	..	..	200
Sir Hugh S. Barnes	..	..	..	..	..	225
Representing S. Pearson and Sons (Limited)—						
Lord Cowdray	..	..	..	..	..	625
Sir Clarendon G. Hyde	..	..	..	..	..	625
Representing the Euphrates and Tigris Steam Navigation Company—						
Mr. H. B. Lynch	..	..	..	..	..	1,250
Sir Charles Nicholson, Bart.	..	..	..	..	..	1,250
Lieutenant-Colonel H. Picot	..	..	..	..	..	1,250
Mr. J. F. Lynch	..	..	..	..	..	1,250
Mr. G. Allen	..	..	..	..	..	200
Sir Montague C. Turner	..	..	..	..	..	200
Sir Alexander McRobert	..	..	..	..	..	175
Lieutenant-Colonel H. Picot	..	..	..	..	..	300
						14,500
In reserve	..	..	..	..	..	500
Total	..	..	..	..	..	15,000

The board has been constituted as follows:—

Mr. V. A. C. Hawkins.
Sir Clarendon G. Hyde.
Mr. C. Greenway.
Mr. J. R. Preece, C.M.G.
Mr. H. B. Lynch.
Lieutenant-Colonel H. Picot.

The post of chairman is for the time being left vacant.

As you are aware, it was desired that Sir Hugh S. Barnes should take the chairmanship, but as there are official objections to this we shall have to arrange for some other suitable gentleman to occupy this position. The names of Lord Lamington and Sir Mortimer Durand, either of whom is, I believe, willing to act, have been suggested, but pending some clearing up of the present political situation in Persia it is thought desirable to leave the appointment of chairman in abeyance unless some person of less pronounced views on Persian politics can be found.

At the meeting which was held yesterday the present political situation was discussed, and a very strong feeling was expressed in favour of a representation being made to the British Government as to the extreme desirability of their giving their very strongest support to the endeavours of the Treasurer-General of Persia to carry out the financial reforms so necessary for the establishment of constitutional government and for the general welfare and future development of the country.

I was requested to call upon you to lay the views of the members of the syndicate before you, but at a subsequent meeting with Sir Thomas Jackson I arranged with him to call upon you for that purpose either to-day or to-morrow, and he will explain to you fully the views of the syndicate.

Yours sincerely,
C. GREENWAY.

[31789]

No. 52.

Mr. Greenway to Foreign Office.—(Received August 12.)

*Winchester House, Old Broad Street, London,
August 11, 1911.*

Dear Mr. Mallet,

I SENT you on the 9th instant a copy of a telegram which I had received from Mr. Brown, asking me to telegraph immediately the terms of the draft railway contract which he is to arrange with the Persian Government.

The full contract has not yet been drafted, but our lawyers have drawn up, for the purposes of a telegram, the enclosed précis of the proposed terms, and before dispatching it I should be obliged if you will let me know if you have any alterations to suggest.

As you will see, the terms proposed are on the basis of the syndicate entering into a contract to construct the railways and to work them on behalf of the Persian Government until such time as the latter are in a position to pay off the railway bonds which are to be issued to cover the cost, this being the form in which we understand the Persian Government are desirous of granting any railway concessions.

Should the Government, however, be desirous of granting the concessions on the basis of a British railway company being formed to work the railways on their own account, the Persian Government guaranteeing the interest on any capital required, our syndicate will of course be equally ready to enter into a contract on these lines.

I shall be glad to have your reply at the earliest possible moment, as it is evident from Mr. Brown's telegram of the 5th instant that there is great urgency in the matter.

Yours sincerely,
C. GREENWAY.

Précis of Proposed Terms of Draft Railway Contract.

THE following are heads of contract which Persian Railway Syndicate (Limited) are prepared to accept from Government:—

1. Government to grant syndicate exclusive right to construct following railways:—
 - (a.) From Mohammerah and (or) Khor Musa to Khorremabad or Burujird.
 - (b.) From Bunder Abbas to Kerman.
 - (c.) From Bunder Abbas to Shiraz.
 - (d.) From Bunder Abbas to Mohammerah, and also harbour or port at any of above coastal termini, with preferential right construct extensions of any of above railways and other railways in Southern Persia.
2. Syndicate to commence survey first railway within six months.
3. Plans, specifications, first railway to be submitted on completion survey, together with estimate, cost construction, and equipment. Such cost to include engineering, freight, and other charges, interest during construction and two years after, and cost of financing scheme in Europe.
4. Plans, &c., deemed accepted by Government if not objected to in six months after delivery.
5. Survey at cost of Government, and to be paid at Government's option in cash or Imperial State bonds similar to recent issue on monthly certificates. If in bonds, Government to deposit with Imperial Bank of Persia sufficient amount of bonds at 87½ per cent. to cover cost of survey, with authority bank to deliver bonds to syndicate on production monthly certificates.
6. Syndicate to have right construct first railway on plans, &c., as approved. Line to be single track 2 ft. 6 in. or 1-metre gauge, and have telegraph or telephone line.
7. Prior construction first railway, Government to issue to syndicate 5 per cent. bonds at 87½ per cent., sufficient to provide estimated cost under clause 2 above, bonds to constitute direct liability of Government for payment principal, interest, and sinking fund of 1 per cent. and to be first charge on railway and railway receipts and customs duties Southern Persia or other securities approved by syndicate. Customs duties or other securities to be paid half-yearly to Imperial Bank of Persia to meet above liabilities as they become due.
8. Syndicate to provide interest and sinking fund on bonds during construction and two years after. If works delayed by *force majeure* or circumstances over which syndicate no control Government to pay interest and sinking fund during period works delayed.
9. Government may, any time within five years date contract, require syndicate proceed with survey of the three other lines or any of them on same terms as first railway.
10. On completion first railway Government may require syndicate or syndicate may require Government to allow them proceed with construction of first, second, and (or) third railways on same terms as first railway.
11. Railways when completed to be worked by syndicate on behalf and at expense of Government. Syndicate to be entitled to 5 per cent. gross receipts. Government to make good any deficiency in working.
12. On redemption of bonds and payment all moneys due syndicate Government may take over and work railways on giving two years' notice.
13. Necessary lands to be provided free.
14. Government to provide free of cost effective protection of all working parties.
15. Exemption of taxes materials imported free duties, same as in mining concession.
16. No other mechanical transport to be permitted within 50 miles without consent syndicate.
17. Government to appoint qualified European engineer, to be approved by syndicate, to certify work.
18. Chief officials of railway to be English.
19. Tariff to be on gold basis and fixed by syndicate.
20. Full *force majeure* clause.
21. Exchange to be taken at current market rates.
22. Disputes to be settled by British Minister.

Sir G. Louther to Sir Edward Grey.—(Received August 14.)

(No. 551. Confidential.)

Sir,

Therapia, August 2, 1911.

M. BOMPARD spoke to me to-day on the subject of the recent arrangement regarding the construction of railways which has formed the subject of despatches Nos. 524 and 548 of the 25th July and 2nd August respectively, from this embassy.

His Excellency said that it had not been carried through without considerable difficulties, as he had had the whole of German influence outside the German Embassy, but including the Turkish army arrayed against him, and, moreover, had been much annoyed at encountering the opposition of the National Bank which had tried to obtain the concession of the ports of Trebizond and Samsoun, but this matter was not yet decided.

In reply to my enquiry as to why he considered that the National Bank was not entitled to enter into competition, his Excellency said that when the arrangement was made last year by the Ottoman Government with the German Company for the extension of the Bagdad line, the French Embassy had enquired whether the Ottoman Government wished to exclude French capital from all participation in railway enterprise in this country, for if so, they would know how to shape their future policy. They had received an assurance to which I alluded in my despatch No. 186 of the 22nd March, 1911, to the effect that the Porte were prepared to grant similar advantages to France as those given to Germany. The French Government had then asked the Government of this country to define the railway development that they contemplated granting to them, and this had included the ports of Samsoun and Trebizond. I said this was new to me, and if it was so, I could not understand why he should have had any difficulty in the matter. M. Bompard replied that the Grand Vizier having objected, he had been obliged to remind him of a verbal engagement given to him by Djavid Bey, but His Highness had taken no account of this. M. Bompard, speaking with some warmth, said that it was very unfortunate that French and British interests should appear to be in competition, for this would be playing into the hands of the Grand Vizier who, being thoroughly German in his sympathies, only looked to dividing us.

M. Bompard went to say that his idea was that we should work in entirely different spheres, and not interfere with each other, and he was not prepared to support any French action in what he considered to be British preserves. I admitted the advantage of this, and asked him what they proposed to leave us beyond the development of Mesopotamian irrigation and a still undefined share in the extension of the Bagdad line to the Persian Gulf. His Excellency was vague in his reply, and only quoted the Meander Valley, adding that as regards the share in the Bagdad extension to the Persian Gulf, the French Government had declared that they would be prepared to abandon any participation, but his Excellency did not say to whom this declaration had been made. I reminded his Excellency that even as regards the Mesopotamian irrigation schemes we were not free from French competition, as the "Société des Batignolles" had recently entered the ranks as competitors with Messrs. Jackson and Pearson (see Mr. Marling's despatch No. 529 of the 25th July). This his Excellency said he ignored, but that in any case he had not supported any French group, and I must be well aware that no group would have any chance of obtaining a concession without the support of its embassy. This evoked from me the enquiry as to whether the Grand Vizier had told him that His Majesty's embassy had pressed for the grant of the ports of Samsoun and Trebizond. I had naturally done what I could to support the interests of the National Bank generally, but in this instance that institution had not asked me for any assistance. I added that in my opinion the National Bank, far from being desirous as he maintained of blocking the Ottoman Bank at every turn, had even offered to that institution a share in certain ventures which the latter had refused. M. Bompard said the Ottoman Bank was quite prepared to participate with the National Bank in general commercial enterprises, and, indeed, he believed they were on the point of coming to terms with regard to the financing of the new Mahsousse Company, but they wished to preserve their own sphere of interest in the railway development of the country.

I have, &c.

GERARD LOWTHER.

[31789]

No. 54.

Foreign Office to Board of Trade.

Sir,

Foreign Office, August 15, 1911.

WITH reference to previous correspondence relative to the question of railway construction in Persia, I am directed by Secretary Sir Edward Grey to transmit to you herewith copy of a further communication from Mr. Greenway enclosing a summary of the contract which the Persian Railways Syndicate propose to submit to the Persian Government.*

As regards the third and fourth paragraphs of Mr. Greenway's letter itself, I am to enquire what are the views of the Board of Trade. It would probably be easier to obtain a concession based on the system described in the 3rd paragraph, but it has the disadvantage that the Persian Government would be able at any time, if they could produce the money, to buy out the British company at two years' notice.

The Board would doubtless be able to advise Sir Edward Grey as to the system which is generally adopted in the case of construction in foreign countries by British companies.

Sir E. Grey would prefer that the stipulation that disputes between the contracting parties should be settled by His Majesty's Minister at Tehran (article 22) should not form part of the agreement.

I am to require that a reply may be returned to this letter with as little delay as may be convenient.

I am, &c.
LOUIS MALLET.

[31789]

No. 55.

Foreign Office to India Office.

Sir,

Foreign Office, August 15, 1911.

WITH reference to the letter from this Office of the 5th instant relative to the question of railway construction in Persia, I am directed by Secretary Sir Edward Grey to transmit to you herewith copy of a further communication from Mr. Greenway enclosing a summary of the contract which the Persian Railways Syndicate propose to submit to the Persian Government.*

As regards the 3rd and 4th paragraphs of Mr. Greenway's letter itself, I am to enquire what are the views of the Marquess of Crewe. It would probably be easier to obtain a concession based on the system described in the 3rd paragraph, but it has the disadvantage that the Persian Government would be able at any time, if they could produce the money, to buy out the British company at two years' notice.

As regards the terms of the contract, Sir E. Grey is disposed to inform Mr. Greenway that the inclusion of the customs receipts of Southern Persia among the securities assigned by article 7 for the provision of the interest on the bonds to be issued in connection with the construction of the line, is inadmissible, these revenues, as he is aware, being already pledged to His Majesty's Government.

Sir E. Grey would also prefer that the stipulation that disputes between the contracting parties should be settled by His Majesty's Minister at Tehran (article 22) should not form part of the agreement.

I am to require that a reply may be returned to this letter with as little delay as may be convenient.

I am, &c.
LOUIS MALLET.

* No. 52.

[32371]

No. 56.

Foreign Office to India Office.

(Confidential.)

Sir,

Foreign Office, August 16, 1911.

A REQUEST has been made by the Turkish Ambassador, under instructions from his Government, that he may be furnished with copies of the agreements with the Trucial chiefs and the Sheikhs of Bahrein and Koweit, to which reference is made in the memorandum communicated to his Excellency on the 29th ultimo.

As the agreements with the Trucial chiefs and the Sheikh of Bahrein have already been published, Sir Edward Grey assumes that there would be no objection to communicating them to the Ottoman Government, and, if this is so, I am to request that your department will be so good as to furnish, for this purpose, copies of the documents in question in a convenient form.

With regard to the agreements with the Sheikh of Koweit, Sir E. Grey would be glad to know the views of Lord Crewe as to what portions of them should be communicated to the Turkish Government. He presumes that it would not be convenient to divulge, e.g., the annual payment on account of the lease of land to His Majesty's Government.

It is also a matter for consideration whether it would not be more advantageous to defer communicating to the Turkish Government the agreements with the Sheikh of Koweit until they have intimated whether, apart from the terms of those agreements, they are prepared in principle to accept the proposals contained in the memorandum of the 29th July.

I am, &c.
LOUIS MALLET.

[32467]

No. 57.

Mr. Baker to Foreign Office.—(Received August 17.)

Sir,

15, Dean's Yard, Westminster, August 16, 1911.

PROPOSED railway system for Persia.

In consequence of the recent report of Lieutenant-Colonel T. W. Haigh, His Majesty's consul for the consular district of Kerman, in which he states that "the crying need of Kerman is a railway or a cart road to Bunder Abbas," Mr. Henry S. Foster, the consul-general of Persia, a representative of Messrs. Pauling, of 26, Victoria Street, the well-known railway contractors, who are building the Cape to Cairo and other railways, and a representative of Mr. Robert Elliott-Cooper, of Dean's Yard, Westminster, one of the vice-presidents of the Institute of Civil Engineers, and also one of the consulting engineers to the Crown Agents for Nigeria and other colonies, and chairman of the Cape Central Railway Company, and myself attended on his Excellency the Persian Minister to this country some three weeks ago to ascertain whether the Persian Government would grant a concession for the construction of a railway from Bunder Abbas to Kerman, wholly within the sphere of English influence, as defined by the treaty of 1907. His Excellency informed us that his Government would not grant any railway concession in Persia, but that what Persia required was a State railway system consisting of a trunk line from the Caspian to the Persian Gulf, connecting up all the main cities in Persia and, if necessary, having branch lines to outlying towns and districts.

He informed us that this railway system was to belong entirely to the Persian Government, and that, once a proper scheme was decided upon, that Government would issue a loan of 10,000,000*l.* to provide for the cost of construction.

His Excellency then invited us to prepare a scheme for such a railway system and furnish him with it, when he would forward it to his father, who, he stated, was a member of the Cabinet, but was at present on the continent for his health.

We have generally considered the matter, and are of opinion that the trunk line suggested should run from Enzeli on the Caspian, through Resht and Kazvin to Tehran, and thence by Kum, Kashan, Ispahan, and Shiraz to Bushire on the Persian Gulf, and that it should have branches to Tabreez and Urmia and to Yezd and Kerman, and possibly to Hamadan and Kermanshah.

This trunk line is shown on the annexed plan in a full red line,* and in a dotted red line is also shown a proposed line from Khor Musa to Khomeinabad, as described in the "Bulletin de l'Union franco-persane" of July last.

The treaty of 1907 seems to us to practically prohibit the construction of any railway in Persia by any non-Persian company or group of capitalists of which railway they should be the owners and administrators in the same way as English capitalists own and work railways in Argentina and other parts of the world. But the treaty does not seem to us to debar the Persian Government from asking English engineers, contractors, and capitalists from constructing a railway system for the Persian Government, nor to prohibit English capitalists from issuing (probably with the participation of Russian or international capitalists) the necessary Persian Government loan for the purpose.

As a further security for the loan it has been suggested that the Persian Government might grant a right to the bondholders to explore for and work mineral oil and other minerals within a belt of country on either side of and adjacent to the proposed line, and as Persia is known to be a country rich in mineral oil and mineral wealth generally, such a right might be of great value, assuming of course that it did not fall within the meaning of a concession prohibited by the treaty.

If, of course, you inform us that the British Government could not consent to the scheme of a Persian Government railway, to be carried out by British subjects as above stated, we should proceed no further in the matter.

If, on the other hand, the British Government see no objection to such a railway, and to its being carried out in the way suggested, we shall be much obliged if you will inform us to this effect.

We have this morning been informed by the Persian Minister that, although another proposal has been under consideration for some time past at Tehran in reference to the provision of a railway system for Persia, it has made no progress, and that the Government are open to and will carefully consider any scheme we may submit.

Your obedient servant,

JOHN BAKER.

[32594]

No. 58.

Anglo-Persian Oil Company to Foreign Office.—(Received August 18.)

*Winchester House, Old Broad Street, London,
August 16, 1911.*

Dear Mr. Mallet,

I ENCLOSE copy of the full text of the telegram re Persian railways which I sent yesterday to Mr. Brown in accordance with my conversation over the telephone with Mr. Norman.

On receipt of the letter which I understood from Mr. Norman you will shortly be sending to me on this subject, I will send Mr. Brown any additional telegram that may be necessary.

Yours truly,

C. GREENWAY.

Enclosure in No. 58.

Mr. Greenway to Mr. Brown.

*Winchester House, Old Broad Street, London,
August 15, 1911.*

(Telegraphic.)

FOLLOWING is a synopsis of the draft agreement which I am posting this week. Agreement is drawn up on the basis of building on account of Persian Government, which I understand is desired, but if Persian Government prefers grant concession for building by British railway company, Persian Government similarly guaranteeing 5 per cent. on gross capital expenditure, this is equally acceptable:—

* Not reproduced.

1. Government to grant syndicate exclusive right to construct following railways:

- (a.) From Mohammerah and/or Khor Musa to Khomeinabad or Burujird;
- (b.) From Bunder Abbas to Kerman;
- (c.) From Bunder Abbas to Shiraz;
- (d.) From Bunder Abbas to Mohammerah;

and also harbours or ports at any or all of the above coastal termini, with the preferential right to construct extensions of any of the above railways and other railways in Southern Persia.

2. Syndicate to commence survey [of] first railway within six months.

3. Plans and specifications first railway to be submitted on completion of survey, together with estimate of cost of construction and equipment. Such cost to include engineering, freight, and other charges, interest during construction and two years after, and cost of financing in Europe.

4. Plans and specifications deemed [to be] accepted by Government if not objected to in six months after delivery.

5. Survey at cost of Government, and to be paid on monthly certificates, option of Government cash or Imperial State bonds similar to recent issue. If in bonds, Government to deposit with Imperial Bank of Persia sufficient amount of bonds at 87½ per cent. to cover cost of survey, with authority bank to deliver bonds to syndicate on production of monthly certificates.

6. Syndicate to have right to construct first railway on plans and specifications as approved. Line to be single track [2] feet 6 inches or 1 metre gauge, and have telegraph and telephone line.

7. Prior to construction first railway, Government to issue to syndicate 5 per cent. bonds at 87½ per cent. sufficient to provide estimated cost under clause 3 above, bonds to constitute direct liability of Government for the payment of principal interest and sinking fund of 1 per cent., sinking fund to commence five years after opening railways, bonds to be first charge on railways and railway receipts and on uncharged surplus customs duties Southern Persia or other securities approved by syndicate. Customs duties or other securities to be paid by Government officials as collected to Imperial Bank of Persia to meet above liabilities as they become due.

8. Syndicate to provide interest on bonds during construction and two years after. If works delayed by *force majeure* or circumstances over which syndicate no control, Government to pay interest during period works delayed.

9. Government may any time within five years date contract require syndicate proceed with survey of the three other lines or any of them on same terms as first railway.

10. On completion of first railway, Government may require syndicate, or syndicate may require Government, to allow them proceed with construction of second, third, and/or fourth railways on same terms as first railway.

11. Railways when completed to be worked by syndicate on behalf of and at expense of Government, syndicate to be entitled to, as remuneration, 5 per cent. gross receipts. Government to make good any deficiency in working.

12. On redemption of bonds and payment of all money due to syndicate, Government may take over and work railways on giving two years' notice.

13. Necessary lands to be provided free.

14. Government to provide free of cost effective protection of all working parties.

15. Exemption of taxes, materials imported free, duties same as in draft mining concession.

16. No other mechanical transport to be permitted within 50 miles without consent of syndicate.

17. Government to appoint qualified European engineer, to be approved by syndicate, to certify work.

18. Chief officials of railways to be English.

19. Tariff to be on gold basis and fixed by syndicate.

20. Full *force majeure* clause.

21. Exchange to be taken at current market rate.

22. Disputes to be settled by British Minister.

This draft has been submitted to Foreign Office. Their comment[s] [upon] will be sent in a few days.

[32595]

No. 59.

India Office to Foreign Office.—(Received August 18.)

Sir,

India Office, August 17, 1911.

I AM directed by the Secretary of State for India to acknowledge the receipt of your letter of the 15th instant regarding the terms of the concession for which the Persian Railways Syndicate propose to apply.

The Marquess of Crewe agrees with the Secretary of State for Foreign Affairs that it would be preferable that the railways should be permanently British undertakings—although the concession in its present form may not only be more acceptable to the Persian Government but may also be more easy for His Majesty's Government to defend against the criticism with which it is likely to meet from Russia, as regards the Mohammerah-Khorembad line, at all events. He would therefore suggest that Mr. Greenway might be asked to put forward the alternative in the first instance; and by way of diminishing the attractiveness of the form of concession which the Persian Government are understood to prefer, it might be provided in clause 12 that if the railway is purchased at short notice the price to be paid will be proportionately higher. Such a provision is usually made in Indian railway contracts.

As regards the Southern Customs, Lord Crewe sees no objection to their forming part of the security provided that it is clearly stated that the British Government's loan and the recent Persian loan have priority. If Mr. Shuster succeeds in reorganising Persian finances it seems not improbable that the yield of the Southern Customs will largely expand and suffice for all these purposes.

In clause 7 of the draft telegram the reference should be to clause 3 (not 2), and in clause 10 "1st, 2nd, and/or 3rd railways" should apparently be "2nd, 3rd, and/or 4th." It is presumably intended that the construction of these three railways should be proceeded with in the order named in clause 1.

In connection with clause 16, Mr. Greenway might be informed that His Majesty's Government contemplate surveying the Bushire-Firuzabad-Shiraz road in view to the possibility of motor traction, as recommended by Mr. Chick (*see* Mr. Langley's letter of the 20th July). The Persian Railways Syndicate would, no doubt, come to terms should it eventually be decided that a motor road would be practicable and desirable.

I am, &c.

E. MONTAGU.

[32601]

No. 60.

India Office to Foreign Office.—(Received August 18.)

(Confidential.)

Sir,

India Office, August 18, 1911.

WITH reference to the correspondence marginally quoted,* I am directed by the Secretary of State for India to address you regarding the request made in the telegram of the Government of India, dated the 8th June, for instructions regarding the inclusion of certain areas in the survey that is shortly to be made in the Persian Gulf.

The areas in question are, as stated in their letter to the naval commander-in-chief, dated the 5th June, (1) the waters of the Khor Abdallah and Khor Assabieh, and (2) all the territorial waters which are south of the Zakhseel Munifa (a locality presumably identical with or in the neighbourhood of Jabal Manifah.†)

As regards (2), the Marquess of Crewe is not clear whether a survey of the territorial waters of El Katif is permissible in view of the fact that His Majesty's Government have recognised Turkish claims to that coast. But, on the other hand, it may fairly be argued that the protectorate which His Majesty's Government claim over Bahrein extends to its waters, at all events so far as to entitle them to survey the approaches to the island. His Lordship will be glad to have Sir E. Grey's views on this point.

As regards (1), I am to observe that the waters of the two khors adjoin the islands of Warba and Bubian, to which Turkish claims have never been admitted, and the result of a survey there would be to show the Turkish Government, as explained by the Government of India, that His Majesty's Government do not intend to neglect

* India Office to Foreign Office, June 12; ditto July 10, 1911.

† K. 5 on the Persian Gulf Gazetteer map.

[31789]

No. 61°.

Sir Edward Grey to Sir G. Barclay.

(No. 235.)

(Telegraphic.) P.

Foreign Office, August 18, 1911.

RAILWAYS in Persia.

A syndicate has been formed, and has submitted to us its draft contract. The syndicate consists of the representatives of Imperial Bank of Persia, the British and Foreign General Securities and Investments Trust, the Anglo-Persian Oil Company, the British India Steam Navigation Company, the Euphrates and Tigris Steam Navigation Company, and Pearsons and Sons.

They have enquired our views as to basis of concession, and I am consulting the Board of Trade and the Law Officers, though I should also like your views, and especially with regard to the stipulation proposed that disputes should be submitted for settlement by the British Minister.

The alternative bases of concession are (1) that a British Railway Company should be formed to work the railway on their own account. In this case the Persian Government would guarantee the interest on the capital required; (2) that syndicate should work the railway on behalf of the Persian Government until such time as the latter are in a position to pay off the railway bonds.

[1510]

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their own claims in the Gulf. The fact that a reply is now being awaited from the Turkish Government to the British note regarding the general situation does not, so far as Lord Crewe can judge, constitute any sufficient ground for delaying this part of the survey.

He would therefore propose, if Sir E. Grey shares these views, to address to the Government of India the telegram of which a draft is sent herewith.

The favour of an early reply is requested.

I am, &c.

E. MONTAGU.

[32648]

No. 61.

Sir G. Buchanan to Sir Edward Grey.—(Received August 18.)

(No. 183. Secret.)

(Telegraphic.) P.

St. Petersburg, August 18, 1911.

MY telegram No. 179, Secret, of the 10th August: Russo-German agreement.

The agreement will be signed to-morrow, and I have just received the text from the Ministry of Foreign Affairs.

In the preamble the word "political" is now omitted after "special," but in other respects the summary given in my despatch No. 201 of the 12th July corresponds with the text now communicated in so far as the preamble, article 1, and the first sentence of article 3 are concerned.

In article 2 also the only change of any importance is in the last sentence, which now reads as follows:—

From "if at the end of two years" to "will remain in force" was sent in cypher R.

The provisions of the second sentence of article 3 with regard to Germany's engagements not to construct railways to the north of Khanikin (as given in my despatch No. 201) are now omitted altogether. It seems probable that these provisions may be embodied in an exchange of secret notes, but I must await my interview with M. Nératof to-morrow before I can get any trustworthy information on this point.

[32716]

No. 62.

Sir Edward Grey to Sir R. Rodd.

(No. 130.)

Sir,

Foreign Office, August 18, 1911.

THE Italian Ambassador told me to-day that he was instructed to enquire as to our consent to the 4 per cent. increase in the Turkish customs dues.

I told him that we had stipulated for terms about the Bagdad Railway to the south of Bagdad, and for a general understanding about the Persian Gulf that would be satisfactory to British interests.

The Ambassador pressed me very strongly as to whether there were not some other conditions.

I said that I remembered only one other: it was connected with the borrowing powers of Egypt.

The Ambassador said that he was quite familiar with this question.

Eventually, I found that what he had in mind was the ordering of ships by Turkey. It was thought that the visit of the Turkish Minister of Marine was connected with this, and that we had stipulated for the placing of orders in this country in return for our consent to the 4 per cent. increase.

I assured him that we had made no condition of any sort on this point. The order for a ship had been given before we sent in our conditions as to the increase of customs dues, and the two questions were not connected in any way.

I am, &c.

E. GREY.

[32759]

No. 63.

Board of Trade to Foreign Office.—(Received August 19.)

(Confidential.)

Sir,

Board of Trade, August 18, 1911.

I AM directed by the Board of Trade to acknowledge the receipt of your letter of the 15th August, with enclosures, on the subject of the proposals put forward by the Persian Railway Syndicate, and to offer the following observations thereon for the consideration of Sir E. Grey.

The arrangement proposed by the syndicate, and summarised in the draft telegram forwarded to your department by Mr. Greenway, is of a somewhat unusual character. The practice generally adopted is for a concession, subsidised or not, to be granted for the construction and working of a line for a definite term, at the end of which the line reverts to the State, there being generally a provision allowing of purchase at an earlier date on prescribed terms. Subsidies, where given, may take the form of either a mileage construction payment, or a guarantee of a minimum revenue per mile, or a guarantee of interest on capital. In some cases (as in the Argentine) concessions limited in duration have subsequently been made perpetual, and in others the concessionaire companies have been bought out by an issue of State bonds. Another arrangement sometimes made is for a Government to construct a line and then to lease its working, either for a fixed annual rental or for a percentage of the gross earnings.

The board, however, see no objection to the scheme of the syndicate other than that indicated in your letter under reply, namely, that the Persian Government would, as the scheme stands, be able to buy out the British company at two years' notice. It would appear possible, however, to obviate this objection by providing that bonds should not be redeemed otherwise than by the operation of the sinking fund, and that the redemption should not proceed at more than a prescribed rate during a given period of years. From informal communications with the syndicate the board understand that paragraph 7 of the proposed heads of contract has been amended by the insertion of a provision to the effect that the Government sinking fund of one per cent. shall not come into operation for a period of five years after the opening of the line for traffic; and that the syndicate would view with favour the insertion of a further proviso that the Persian Government's payment towards a sinking fund for the redemption of the bond issue should not, during a further period of twenty or twenty-five years, exceed the above-mentioned rate of one per cent. per annum. This would secure to the concessionaire company a tenure of twenty-five or thirty years in all, and would, in the opinion of the department, meet the objection to the present scheme which Sir E. Grey appears to have in mind.

The board are not aware if there is anything in the constitution of the syndicate which would prevent any part of the holding, either during construction of the railway or later when the syndicate is operating as a working company, from passing into foreign hands. Whilst, in view of the constitution of the syndicate, they do not regard this as a serious contingency, they think it desirable to invite the attention of Sir E. Grey to it as a possible occurrence.

Subject to these observations the board are disposed to think that the scheme now put forward by the syndicate might be approved by Sir E. Grey, should he see no objection on other grounds, as more likely than the second plan suggested by Mr. Greenway, to be viewed with favour by both the Persian Government and the British investor, to whom Government bonds are as a rule more attractive than guaranteed shares.

I am, &c.

GEO. J. STANLEY.

[32723]

No. 64.

India Office to Foreign Office.—(Received August 19.)

Sir,

India Office, August 18, 1911.

I AM directed by the Secretary of State for India to acknowledge the receipt of your letter of the 26th July regarding the proposed Trans-Persian Railway, and to enclose copy of a despatch which he has addressed to the Government of India on the subject.

[32798]

No. 64°.

Sir G. Barclay to Sir Edward Grey.—(Received August 19.)

(No. 341. Secret.)

(Telegraphic.) P.

RAILWAYS in Persia.

Gulahek, August 19, 1911.

In reply to your telegram No. 235 of the 15th August, I have the honour to state that the second alternative, inasmuch as it seems both to offer a possibility of profits and to afford more assurance of permanence, appears, of course, at first sight to be more attractive.

The question of profits seems, however, problematical, and, on the other hand, the probability that the Persian Government will be able to pay off the railway bonds herself is so remote that we may leave it out of consideration, and I hope we need not contemplate the contingency of our being unable to stop Persia from raising money elsewhere for the purpose. I consider, moreover, that the prospect of the second alternative being passed by the Medjliss is more than doubtful unless the temper of that body changes. The first alternative accords more with the views of those members of the Medjliss who count.

For these reasons I would recommend first alternative proposal.

A stipulation that disputes between the syndicate and the Persian Government should be referred to the arbitration of His Majesty's Minister would, of course, if we could obtain it, be of great use to the syndicate, but I would submit that His Majesty's Minister might be placed in an invidious position if he had to act both as advocate and judge in such disputes. A solution of this difficulty might be found in referring those differences which cannot be settled by negotiation to some foreign representative at Tehran whom the two parties could select by mutual agreement.

[1510]

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I am to say that the Marquess of Crewe will be glad to be favoured with the independent opinion of the Treasury and the Board of Trade on the question of a guarantee.

I am, &c.

EDWIN S. MONTAGU.

Enclosure in No. 64.

The Marquess of Crewe to Government of India.

(Secret.)

My Lord,

India Office, August 18, 1911.

WITH reference to the Secret letter of your Government dated the 23rd February last, I forward, for the consideration of your Excellency in Council, copy of a letter from the Foreign Office regarding the proposed Trans-Persian Railway,* and I request that I may be furnished with your views on the points raised therein.

2. As regards the alignment of the proposed railway, I note that the committee appointed by your Government were of opinion that the route via Bunder Abbas, though longer, would be cheaper both to construct and to work than the more direct route via Kerman and Pasni. I shall be glad if you will consider whether the objection of the Russian promoters could be met without detriment to Indian interests by bringing the line via Kerman to the coast at Charbar.

I have, &c.

CREWE.

[32796]

No. 65.

Sir G. Buchanan to Sir Edward Grey.—(Received August 19.)

(No. 186. Secret.)

(Telegraphic.) P.

St. Petersburg, August 19, 1911.

RUSSO-GERMAN agreement.

Please see my telegram No. 183 of the 18th August.

I was informed to-day by the Acting Minister for Foreign Affairs that verbal assurances of the most categorical character had been given by the German Government that the only railways which they would construct to the north of Khanikin would be those to which the Bagdad Railway concession gave them a right.

I remarked that in that case they could only claim the Diarbekir-Kharput line. M. Nératof replied that, in addition to this line, Germany's right to construct a short line from the Diala river, as well as a line from Mosul to Arbil, had been admitted. The objections formerly raised by the military authorities to these lines had now been waived, and as Russia alone was interested she had not insisted and had given this satisfaction to German *amour-propre*.

I observed that, in my opinion, it would have been a wiser course to have insisted on assurances in writing, and I thought the Russian Government had already given enough satisfaction to German *amour-propre* by pledging themselves not to oppose the entire Bagdad Railway scheme. M. Nératof answered that even pledges in writing were not invariably kept, and that the Imperial Government could still co-operate with His Majesty's Government as regarded the Gulf section, as, although its construction could not be actively opposed by Russia, she had not engaged herself to facilitate its construction.

His Excellency added that the semi-official "Rossia" would publish to-morrow an article on the subject of the Triple Entente and the 4 per cent. increase in the Turkish customs simultaneously with the publication of the text of the Russo-German agreement.

[1510]

* No. 36.

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[33029]

No. 66.

Lieutenant-Colonel Cox to Sir Edward Grey.—(Received August 21.)

(No. 1.)

Sir,

Bushire, July 25, 1911.

IN case the matter may be under lively consideration at His Majesty's Foreign Office, I venture to submit direct two copies of a communication, with enclosures, which I have addressed to the Secretary to the Government of India in the Foreign Department, forwarding a copy of Lieutenant Wilson's report upon the projected Mohammerah-Khorembad Railway.

I have also sent a copy to His Majesty's India Office and to His Majesty's Minister, Tehran.

I have, &c.

P. Z. COX, *Political Resident in the Persian Gulf,
and His Majesty's Consul-General for Fars, &c.*

Enclosure 1 in No. 66.

Lieutenant-Colonel Cox to Sir G. Barclay.

(No. 61.)

Sir,

Bushire, July 25, 1911.

WITH reference to my despatch No. 67 of the 8th October, 1910, I have the honour to forward, for your Excellency's information, copies of a letter, with enclosures, which I have addressed to the Government of India, forwarding Lieutenant Wilson's report upon the projected Mohammerah-Khorembad Railway.

2. In view of the insecurity of communication by post, I have sent a duplicate copy of this communication, addressed to your Excellency, through the Foreign Office, London.

3. In case consideration of the question may be imminent, I have ventured to submit copies of this letter and its enclosures direct to His Majesty's Foreign and India Offices.

I have, &c.

P. Z. COX, *Political Resident in the Persian Gulf,
and His Majesty's Consul-General for Fars, &c.*

Enclosure 2 in No. 66.

Lieutenant-Colonel Cox to Government of India.

(Confidential.)

Sir,

Bushire, July 25, 1911.

I HAVE the honour to refer to the correspondence starting with my letter dated the 2nd October, 1910, recommending Lieutenant Wilson's deputation to examine the possibilities of railway alignments from Dizful northwards through Luristan.

The Government of India will have seen from the interesting diaries which he has furnished during his absence that his journeys have been by no means uneventful, but a combination of judgment and good fortune has brought him through safely, and I now have the honour to submit a copy of his report for the information of higher authority. I may mention incidentally that, in considering the Khor Musa (or Mohammerah)-Khorembad project as a whole he has found it advisable to bring up to date the report on the Mohammerah-Dizful section which was forwarded to the Government of India under my despatch of the 2nd October, 1910. The result forms Part II of his report.

2. The supplementary tracing which I have asked him to prepare, and which, if laid over his map,* will indicate the course of his subsidiary wanderings, will show that he has made a comprehensive examination of the tract within the limits of which a practicable alignment might conceivably fall, and the result of his investigations is to confirm the *prima facie* impression formed by previous travellers, e.g., Sir Thomas Gordon and Captain Lorimer, that the best alignment would be found either up, or to the west of, the Kashgan valley. The full details, which are furnished in Part III of the present report, in regard to both alternatives, will, it is hoped, enable railway

* Not reproduced.

experts to arrive at definite conclusions as to the practicability and probable cost of a railway through this piece of country, which, on the grounds explained by him, Lieutenant Wilson is convinced is the only one which can be regarded as reasonably practicable. For the cheaper of the two alignments, taking the distance from Mohammerah to Dizful as 174 miles, and from Dizful to Khorembad as 185 miles—total 359—he estimates that the cost per mile will work out to 6,395*l.* for the 5-foot gauge and 4,460*l.* for a metre gauge line, and favours the latter alternative.

3. In the course of his deputation, Lieutenant Wilson has incidentally given much thought to other aspects of the contemplated railway than the purely practical one, and in Part I of his report he endeavours to marshal the principal, general, and political considerations affecting the project considered both independently, and in their bearing on the Gulf section of the Bagdad Railway, as they now present themselves to his mind.

The trend of his arguments on the whole is in favour of a rest on our oars for the present in regard to the pushing of the project, at all events, in respect of the section from Dizful onwards.

4. The salient points of his observations appear to me to be these:—

(1.) In the course of his return journey he passed through Bagdad, and had the advantage of discussing recent developments with Mr. Lorimer, who had just returned from Constantinople. As the result of their deliberations he is convinced that the construction of the Bagdad-Gulf section is essential to the preservation of our interests in Bagdad itself and in Mesopotamia generally, and further that it would be premature to despair of our ultimately obtaining a predominant part in the management of the Gulf section.

(2.) That in any case the Bagdad-Bussorah connection will pay even if deprived of the Persian trade which may be deflected to the Mohammerah line, and that consequently the building of the latter line, though it may delay the construction and reduce the profits of the other, will not prevent its eventual completion.

He doubts, therefore, whether the Mohammerah line will prove, except temporarily, to possess so much competitive or political advantage as is at present supposed.

(3.) He is inclined to share the apprehension which the Sheikh of Mohammerah recently expressed,* that the piercing of the Luristan "buffer" may have the effect of destroying the territorial isolation of Arabistan, to which, combined with our consistent support, Sheikh Khaz'al Khan, in a great measure, owes the present strength of his position. This apprehension would be accentuated if the line were made international.

(4.) He thinks that owing to the chronically disturbed state of Luristan, we may find ourselves obliged to intervene to protect the line.

The foregoing and other minor considerations bring him to the view that no action should be taken by us beyond Dizful unless the German or Turkish attitude in regard to the Gulf section of the Bagdad Railway forces it upon us; and that from Dizful northwards we should rely for the present on our road concession to maintain the commercial interests which we now possess in the markets focussing at Hamadan.

5. I do not think that any useful purpose would be served by my discussing in detail the many points raised in his report, especially as there is, in regard to several of them, scope for wide difference of view, or even for the use of the same facts for argument in an opposite direction. On the whole, the conclusions to which Lieutenant Wilson is led, brings us to a position which, speaking broadly, does not differ greatly from that indicated in Sir George Barclay's telegram No. 68 of the 27th February to the Foreign Office, and in my telegram of the 17th March.†

There are certain aspects of the question, however, on which I venture to touch briefly.

6. Firstly, I would observe that we seem warranted in considering that the strong disapproval with which the announcement of our application for an option or concession to construct this line was received in Russian and German quarters, is in itself *prima facie* evidence of the value of the project to us, both as a means of safeguarding the commercial interests which we already possess in the region of which Hamadan is the centre, and as a lever for obtaining satisfactory terms in regard to the Gulf section of the Bagdad Railway.

7. *The Apprehensions of the Sheikh of Mohammerah.*—I am inclined to doubt if the grounds for them are so serious as the sheikh and Lieutenant Wilson anticipate.

* Resident to Government of India, May 14; Resident to Minister, May 14, 1911.

† To His Majesty's Minister, No. 45, of which a copy was forwarded to the Foreign Department with my letter of March 19, 1911.

I presume in this connection that we should take all possible steps to safeguard the sheikh's interests, and in any case, the connection of Tehran by rail with Kermanshah, and of Mohammerah with Dizful, would inevitably make Mohammerah more accessible from Tehran than now, and I doubt whether the mere ability of a Persian regiment to cross Luristan would greatly alter the position, as far as the sheikh is concerned.

From a financial point of view the latter could not fail to benefit greatly from the construction of the line. As it is, the customs revenue has greatly increased since he resigned it to the central Government ten years ago, in return for an annuity which then represented a much larger percentage of the receipts than it does now, and should a further development of Mohammerah as a port of entry take place he would certainly be entitled to our support in pressing for a substantial increase of his present compensatory allowance.

8. *The Value of the Khor Musa Outlet for the Railway.*—Lieutenant Wilson's somewhat pessimistic views of the possibilities of Khor Musa as a commercial terminus do not take into account its strategical advantages, and generally differ a good deal from the conclusions arrived at by His Majesty's naval authorities when the locality was examined in 1904 (*vide* the papers marginally cited, to which I beg reference).*

9. *The Question of Internationalisation.*—This is an aspect of the railway project, which I should regard with great apprehension did I not presume that it was intended, and would be possibly, either to circumvent the difficulty altogether or to effect an arrangement for keeping the control sufficiently in our hands in the way suggested by the Regent.†

In this connection Captain Haworth suggests‡ to me, and I beg that the point may be considered, that the mere existence and the nature of our engagements to the Sheikh of Mohammerah—of which the Persian Government, and I, believe, the Russian Government, are generally aware—make it possible for us to claim independently of any Anglo-Russian convention, that Mohammerah territory is a sphere of British influence, in the development of which we are entitled to have a predominant voice, and which we are under no obligation either to regard as neutral ground except *vis-à-vis* Russia, or to admit the intrusion therein of any foreign element except under conditions conducive to our own interest and those of the sheikh. Whether or not this view can be strictly maintained in theory, it is a fact that we have more than once in recent years made effective use of it in practice, and our special position has, I submit, received tacit recognition. I may instance our negotiations with the Netherlands Government in regard to the Dutch option for an irrigation concession on the Karun, and our frank communication to the Turkish authorities in connection with the Zain incident.§

10. Turning to the present aspect of the railway question as indicated by the refusal of the Government of the day in Tehran to accede to our application for an option, I venture, in conclusion, to offer the following suggestion:—

That we should forthwith secure a lease from the Sheikh of Mohammerah of the shores and islets of the Khor Musa. These are a recognised part of the Fallahieh district, which was granted to him by Royal farman in January 1903. The sheikh would be in precisely the same position in respect of a lease of it as he was in the case of the oil company's site on Abadan, of which his ownership is covered by a farman in exactly similar terms. If any action in this direction were decided upon, it would be important to put through the necessary preliminaries, such as an unobtrusive examination of sites, with as little delay as possible.||

The possibility in the last resort of preventing a concession going to other parties by inducing the sheikh to demand one himself is a contingency which will not perhaps be lost sight of, but which it seems premature, in the absence of fresh developments, to do more than adumbrate here.

I have, &c.

P. Z. COX,

Political Resident in the Persian Gulf.

* Enclosure to Government of India in the Foreign Department, Secret letter, March 24, 1904.

† *Vide* Foreign Office despatch to His Majesty's Ambassador, St. Petersburg, No. 129, May 10, 1910.

‡ Sir George Barclay to Foreign Office despatch No. 55, April 18, 1911.

§ *Vide* Sub-Enclosure 3 to Embassy despatch No. 402, June 21, 1910, to His Majesty's Foreign Office.

|| *Vide* Enclosure to despatch No. 50, July 16, 1910, to His Majesty's Minister, Tehran, and letter of same date to Government of India.

Enclosure 3 in No. 66.

Lieutenant Wilson to Lieutenant-Colonel Cox.

Sir

Bushire, July 25, 1911.

I HAVE the honour to submit herewith my report on the proposed Mohammerah-Khorehabad Railway, which I take the liberty to summarise briefly below.

2. I estimate the cost of the whole line to be about 2,335,000*l.* from Mohammerah to Khorehabad, equivalent to about 6,480*l.* a-mile for 360 miles, on a ruling gradient of 1 in 50. The above figures are for Russian gauge (5 feet). At metre gauge the approximate cost would, I believe, be 1,650,000*l.*

3. I believe the project to have a fair prospect of commercial success were metre gauge to be adopted, though there seems even then to be no likelihood of it being worth while for any British company to build it without a guarantee from the British or Persian Government.

4. On the general question of its effect on British strategical, political and commercial interests, I express, with the greatest deference, my belief that our strategical position *vis-à-vis* Russia will not be substantially altered by the railway, if built, but I regard its probable effect on our political interests in the Gulf and in South-West Persia generally with some apprehension. The tendency of the railway will be to weaken the autonomous position of the Sheikh of Mohammerah, thus paving the way for a recrudescence in Arabistan of the anarchy which reigns supreme everywhere else in Persia, and which so handicapped our commerce in the years 1889-1895 between the opening of the Karun and the accession of the present sheikh.

5. Its inception will make the construction of railways in the north by Russia, and the continuation of the Khanikin line to Kermanshah inevitable, if indeed this is not already the case, though of course the converse of the proposition equally holds good.

Since the Persian Government, as far as we can see, are not likely to be able to govern Luristan more effectively during the next decade than they have done in the past two centuries, we must face the contingency of being called upon to take our own measures for the protection of the line at some future time. The Lur tribes are not at all formidable enemies, in my opinion, but the possibility of being called upon to guard such a long line of railway will be a considerable addition to our commitments in this part of Persia, without, it seems to be, any commensurate gain to our commerce. An international expedition with the same object would be even more objectionable.

The prospect of the line being placed under international control is not one that we can view with complacency; it could scarcely fail to prejudice gravely our position in Arabistan, and would lead to complications with the sheikh.

6. As regards the effect of the line on our commerce in Persia, I have expressed the belief that our predominance in the markets of which Hamadan is the centre will not be seriously threatened until Kermanshah is linked up with Bagdad, and that the projected Luristan line would not appreciably alter the proportion of British imports now consumed, though it should lead to a substantial increase in the quantity of goods passing through the hands of British firms and imported and exported in British ships. Its main effect would be to displace the Russian sugar and hardware now entering from the north by the produce of Germany, France, and Austria (though imported, we may hope, by British firms) and Russian oil by the products of the Anglo-Persian Oil Company, but the demand in Western Persia for the last-named commodity is not likely to assume importance for many years to come.

7. The effect of the proposed railway on the Bagdad-Persian Gulf line would be, I believe, to deprive the latter of a considerable proportion of its upward traffic, and impair its prospects of being financially profitable until irrigation on a large scale is introduced into Mesopotamia, but this result will not be attained unless the line is prolonged at once to Burujird at least.

I cannot believe, however, that it will for long postpone the construction of the Bagdad-Persian Gulf line, nor permanently damage its position. I am much impressed with the inadequacy of the Tigris and the importance to us of a Bagdad-Bussorah Railway which will place the capital of Mesopotamia in close touch with British shipping and go far to help us to retain our position in Bagdad, if honestly worked. If Bagdad is linked up with Europe, but not with the Gulf (and the Tigris is no substitute for a railway for this purpose) a hundred factors will tend to alienate Mesopotamia from the principal seats of our commercial and political influence in the Middle East, and a

diminution of our political prestige will follow, a serious matter when it is remembered that Bagdad is the centre of the pilgrim traffic of large sections of the Mahomedan world. The Bombay mills, moreover, are indisputably destined to find in Mesopotamia a large and increasing market for their products.

8. I submit that we should use the Mohammerah-Khoremad option only as a lever to obtain fair terms for ourselves on the Bagdad-Persian Gulf Railways, and that we should not take active steps to build it unless forced to do so by, for instance, the prospect of the right to do so being granted to others, or by failure on our part to obtain a predominant share in the Bagdad-Gulf section. In the latter contingency, I have advocated the construction of a Mohammerah-Dizful line, connected with Khoremad and Burujird by good cart roads, for which we already have a concession, in this way securing to ourselves most of the benefits of the railway without the political risks which, it is suggested, its construction would involve.

9. The map accompanying this report is the result of a continued plane table and prismatic compass survey; the original sheets are forwarded without any adjustment or alteration; each week's work was inked in regularly, as it was impossible to keep the work in pencil only so long a period; the map is, in consequence, I fear, unsuited to photographic reproduction, and will have to be redrawn by a draughtsman; in extenuation of my defective caligraphy I can only say that I had no tables or chairs in camp with me and no draughtsman's apparatus; all detail on the map except south of the Kabir Kuh represents actual observation by myself, and I have not "compiled" any portion of it, except north of Khoremad, where I was prohibited by my instructions from surveying.

10. Breakdown of my camera at the outset of my journey unfortunately prevented my obtaining any photographic records; the photogravures enclosed herewith are extracted from De Morgan's "Mission Scientifique en Perse."

11. I would ask that Part II of this report may be substituted for the report forwarded under your letter dated the 10th October, 1910, to the Government of India.

I have, &c.

A. T. WILSON,

On Special Duty.

Enclosure 4 in No. 66.

Report by Lieutenant Wilson on the proposed Railway from Khor Musa to Khoremad, and its prolongation to Burujird.

PART I.—GENERAL AND POLITICAL CONSIDERATIONS.

WHILST fully realising that any decision on the part of His Majesty's Government, in regard to the construction of railways in South-western Persia, must ultimately depend upon considerations of which I am for the most part ignorant, and regarding which I am not competent to express an opinion, it seems, nevertheless, convenient that I should preface this report on the practical aspects of the projected Luristan line by a brief summary of some of the principal general and political considerations affecting it, as far as I am aware of them.

2. The Attitude of the Russian Government.

The attitude of the Russian Government to the Luristan project has undergone a notable change since 1907, and it had declared its strong dislike, on commercial grounds, of any railway which approaches the Russian zone from the south, whilst recognising our right to construct the Luristan line as far as Khoremad, Russian Foreign Ministers have been unanimous in their belief that the Russian public opinion would be strongly opposed to any action by Great Britain in such a direction. No great outcry, however, seems to have been made by the Russian press, which has shown less interest in the matter than that of Germany, and Russia has been unable to offer any valid

reason for opposing us in this direction, whilst assisting Germany to join up Bagdad with Tehran.

Hostile as Russia undoubtedly is to the project, it seems improbable that she will be able to press her objections so strongly as to affect materially whatever decision may be arrived at by His Majesty's Government. Her need of British capital for railways in the north alone suffices to make her practically unable to offer determined diplomatic opposition to our proposals.

She may, however, effectively oppose our entry into the Russian sphere by an extension of our line to Burujird, and may place obstacles in the way of any connection being made between our terminus there and Russian lines which may, in the meantime, have been brought down from the north; she might also hamper us by stipulating for international control, and by opposing the running of motor traffic on our roads, should we desire to initiate such between Khoremad and Burujird, for instance, or from Burujird northwards.

3. Relation of the Project to and its effect on the Bagdad Railway.

As long as 1891, M. de Morgan, chief of the "Délégation Scientifique en Perse," in his published reports, discussed briefly the Luristan railway project, and came to the conclusion that, as a commercial speculation, it could not bear comparison with the Bagdad-Kermanshah line, which had few physical difficulties to contend with.

From the purely commercial point of view this seems not improbable, particularly when it is remembered that a Bagdad-Kermanshah line might form part of a great through route to India from Europe via Constantinople. But it will connect Western Persia with the sea by a section passing wholly through Turkish territory, and having its terminus in non-Persian territory, a state of things contrary to the interests of Persia generally. On the other hand, the principal shrines of the Shi'eh faith are close to Bagdad, and thus even the passenger traffic on the Khanikin will be in itself a source of profit.*

As regards good traffic: from Bagdad the stream of exports from Persia will inevitably flow towards the Gulf in the main, and imports will follow this route for the most part, whether the Persian Gulf-Bagdad Railway be constructed or not. It may be assumed, therefore, that the Bagdad-Kermanshah line will be remunerative from the first, even though it will be subject to the competition of the Luristan line, which would deprive it of a considerable portion of its goods traffic, and a part of its passenger traffic. Being shorter, and for the whole of its length in Persian soil, thus avoiding Turkish dues and exactions, the Luristan line will have an initial advantage which no reasonable adjustment of rates on the Turkish line could entirely neutralise. Even at present the weight of goods imported to and exported from Kermanshah via Khanikin, aggregates nearly 50,000 tons.

I conclude, therefore, that the Luristan line would have a markedly unfavourable, but not ruinous effect on the Persian Gulf-Bagdad line, and to a much less degree on the Bagdad Railway as a whole. Its construction might so reduce the prospective traffic on the Persian Gulf-Bagdad Railway as to make it impossible for the latter to earn enough to be financially profitable for some years to come, or until irrigation on a large scale has been introduced and extended in Mesopotamia, thus robbing the line of its attraction to investors.

I cannot, however, believe that the construction of the Luristan line will for long postpone the realisation of the Bagdad-Gulf project, nor permanently damage the financial prospects of the latter; its effects are likely, however, to be sufficiently to make the threat of its construction a valuable lever when negotiating with Germany or Turkey.

The value of the line as a lever will be small, however, unless prolonged beyond Khoremad to the great commercial centres of which Hamadan is the chief, or at least as far as Burujird. From Bussorah to Bagdad by rail (350) miles is no further than from Mohammerah to Khoremad, and the former line will undoubtedly be cheaper to construct than the latter.

I have suggested (paragraph 9) a rate of 4*l.* a-ton as the cheapest average rate

* The number of pilgrims from Persia who passed Khanikin in 1905 was 95,000; in 1910, 55,000, according to Turkish quarantine statistics; a considerable increase may be expected as a result of railway construction on this line.

we can afford to charge on goods between Mohammerah and Khoremah. How does this compare with the actual river rates and prospective railway rates between Bagdad and Bussorah? The following tables may throw some light on the point.—

STATEMENT showing Freights charged in 1910 on Goods between Bussorah and Bagdad and *vice versa*.

Class.	Imports.	Exports.	Total.	Rate per Ton.	Rate per Maund (80 lbs.).
	Tons.	Tons.	Tons.	£ s. d.	d.
I	16,000	14,338	30,338	1 2 0	9½
II	4,562	2,965	7,527	1 12 8	14½
III	742	1,850	2,592	1 15 0	18½
IV	237	9,394	9,631	2 13 8	22½
V	4,800	3,605	8,406	3 4 3	27½
Total ..	26,341	32,153	58,494	Average* 1 15 3	

* Calculated proportionately on the quantity of goods carried at each rate.

In addition to the above figures, to find the total movement between Bussorah and Bagdad, add 20,000 tons local cargo, and 27,000 passengers in either direction.

STATEMENT showing Maximum Rates chargeable for 350 miles between Bagdad and Bussorah by Rail if the Ottoman Anatolian Railway Company's Tariff were to be applied.

Class	Description.	Maximum Rates Chargeable.	
		Per Ton per Mile.	Bagdad to Bussorah (350 miles).
I	General goods, hardware, piece-goods, manufactures	d.	£ s. d.
II	Minerals, stone, meat, fish, preserves ..	3.2	4 13 4
III	Rice, cereals, coal, flour, fresh vegetables ..	2.35	3 8 6
IV	Cereals in bulk, over 900 kilom. ..	1.9	1 15 5
		0.52	0 15 2

Maximum rates are, however, not charged on the sections of the Ottoman Anatolian Railway now in working order, the actual rates charged being only one-third of the rates fixed by the convention.

The average North-western Railway (India) rate of 4.72 pice per ton per mile, if applied to the Bagdad-Bussorah line, would work out at 11s 5½d. a-ton; the average Indian rate of 5.5 pice per ton per mile would work out at 13s. 6¾d. per ton.

The conclusion I draw from these figures is, that if Khoremah is to be the distributing centre and terminus of the Luristan line, it will not be able to compete with Bagdad, which has great initial advantages over a small isolated town like Khoremah. In order to fulfil its object the line must be prolonged at all events as far as Burujird.

We have not given up all hope of participating in the Bagdad-Bussorah Railway, the construction of which is of the greatest importance to us as a set-off to the Constantinople-Bagdad line, which will tend to alienate Mesopotamia from the principal seats of our commercial and political influence in the Middle East. Until we are forced to abandon hope of retaining a predominant share in such a line, it would seem to be against our interests to take any active steps towards the construction of a Luristan line, which is in itself politically and perhaps strategically objectionable, and which may ultimately prejudice our interests in Mesopotamia.

Even were we to pursue the scheme, however, the necessity for us to join in

building the Bagdad-Bussorah line would be none the less imperative in the interests of our position in Mesopotamia.

Were we to build a railway from Mohammerah to Dizful (a line costing but little and with every prospect of paying its way at metre gauge eventually, if the feeder roads to the north were built and properly organised), and to reserve to ourselves the right to extend it to Khoremah, we should prevent any possibility of railway enterprise by other nations in this region, and at the same time retain in our hands a valuable lever to force the Turks to give us a predominant share in the Tigris Valley Railway Company when it comes to be formed.

It is scarcely necessary to add that there is no point south of Khoremah except Dizful which could be made a terminus of the projected line, and the suggestions of the Russian Government in this connection are quite impracticable.

4. Attitude of the Persian Government.

The superior advantages of the Luristan Railway over the Bagdad-Kermanshah project from the point of view of the Persian Government, if the former is alternative to and not in addition to the latter, is so strong as to need no laboured demonstration. It is to Persia's interest that her exports and imports should flow in channels wholly within her borders and under her control, and that all the indirect benefits following on the establishment of an important port should accrue to her and not to the Turkish Government. It is to her interest to strengthen her hold upon her south-western provinces, and no more powerful interest than the railway now under discussion could be desired for the purpose.

No alignment between the northern end of the Gulf and Western Persia, by which I mean the country of which Kermanshah and Hamadan are the centres, will suit the Central Government equally well. The next best, from her point of view, would be a Mohammerah-Ispahan line, but this has been pronounced, after careful expert examination by Major W. R. Morton, R.E., to present prohibitive physical obstacles to a cart-road, from which it may be inferred that a railway is likewise impracticable.

The rescript of Nasr-ud-Din Shah in reference to a Tehran-Shushter railway is well known, and need not be further referred to.

The Persian Government may be expected, I conclude, ultimately to favour the project, though great difficulty will doubtless be met with in obtaining a concession on anything like equitable terms. It will probably be difficult to reconcile the rights of the Sheikh of Mohammerah in the matter, as guaranteed to him by us, with the claims and pretensions of the Persian Government.

5. Probable effect of proposed Railway on British Political, Strategic, and Commercial Interests.

On this subject the view which I respectfully submit below may be summarised by saying that the prospect is unattractive as a commercial speculation, and its political disadvantages, which are ultimately largely commercial ones, outweigh, in my belief, any advantage which it may afford to our commerce in West Persia; strategically the line would appear to be of small importance to us.

The arguments against the construction of a line connecting Arabistan with West Persia may be summarised as follows:—

We are already strongly established in Arabistan with sufficient security for our trade, and with every opportunity for increasing it by extension of oil works, irrigation, &c. Whilst a light railway to Dizful would undoubtedly assist the development of the province (as would also the Luristan road from Dizful to Burujird), the Karun at present provides a sufficiently good channel as far as Shushter for local requirements, and, as regards Dizful, there is nothing to prevent the utilisation of the Diz for that purpose to within 20 miles of that town. The Luristan line will contribute but little to the development of Arabistan (Mohammerah, of course, being excluded), as the agricultural products of the province must always go south, not north, by boat and not by rail, and it is from the south that the vast bulk of its needs must be supplied; if under international and not British control the line may lead to an actual diminution of our prestige and to all sorts of complications with the sheikh.

Russia's economic and political progress southwards has hitherto been checked by the Zagros Mountains; if these be pierced by a railway our position in Arabistan will

be weakened, and there is nothing to show that we shall obtain anything like adequate compensation in the markets of West Persia, in which British goods greatly preponderate at present, and are likely to do so at all events until Kermanshah is joined up with Bagdad.

The following figures for the foreign trade of Hamadan supplied by the manager of the Imperial Bank of Persia may be considered, I think, to support this contention:—

British trade—				£
United Kingdom—				
Piece goods (worth about 100% a ton) .. .. .	..	..	..	850,000
India—				
Spices, copperware, tea, cotton, yarn, thread, indigo .. .. .	..	..	..	180,000
Total British trade .. .. .	..	..	..	1,030,000
Russian trade—				
Sugar .. .. .	..	..	..	80,000
Oil .. .. .	..	..	..	10,000
Glass, hardware, &c. .. .. .	..	..	..	5,000
Iron from Ardabil .. .. .	..	..	..	6,000
Cheap prints, &c. .. .. .	..	..	..	7,000
				108,000
Germany, America, and France—				
Drugs, woollens, fancy goods, synthetic indigo .. .. .	..	..	..	100,000
Turkey—				
Skins, figs, dates .. .. .	..	..	..	32,000
Total foreign trade .. .. .	..	..	..	240,000

The construction of the railway would probably cause a displacement of Russian oil by the Anglo-Persian Oil Company, and of Russian sugar and hardware by the produce of Western Europe, but it seems that British trade would only benefit by the general improvement in commerce that may be expected to follow upon the construction of the line.

I do not forget that it is British firms who may be expected to import sugar and hardware in displacement of Russian products, thus enabling them to increase their exports, but I do not think that the prospective profits under this head are likely to be sufficient to affect materially the situation as I have depicted it.

We have built up considerable commercial interests in Arabistan under the security provided by the strong and autonomous régime of the Sheikh of Mohammerah. A railway connecting Arabistan with Western Persia can scarcely fail to weaken his powers, without bringing to him or to us any counterbalancing advantage. His rent-roll will be somewhat swelled, it is true, but that will not compensate him for the destruction of the geographical isolation of his territories from the rest of Persia which will follow the construction of the railway. As for the Turks, he would sooner deal with them single-handed than with the aid of such a two-edged weapon as the armed assistance of the Persian Government.

The temporary extension of the Persian Government's influence and maleficent administrative activity to Arabistan from 1880 to 1895 was synchronous with a period of almost continuous disorder, which so hampered British commercial enterprise in the provinces that the opening of the Karun remained for years almost without effect and our trade was nearly strangled, and it is only now beginning to recover from the effects of that treatment. This state of things ceased only when Sheikh Khaz'al, by his wise and far-seeing policy, contrived to emancipate himself from the arbitrary interference of the Persian Government, patriarchically and without molestation, so long as he paid the Government revenue regularly, which he has done ever since. There is no reason whatever to suppose that an extension of the Persian Government's facilities for interference will not have precisely the same effect in the future as in the past.

The projected line will in no way meet Indian passenger traffic or mail requirements, and the advantage which it will secure to our commerce in Central Persia will presumably be neutralised to a large extent by Russian railway construction advancing *pari passu* from the north. The construction of the Bagdad-Kermanshah line, if we have a predominant share in the Bagdad-Gulf section, will assist our commerce in an almost degree, and leave us relatively to Russia in much the same position we at present occupy in the markets of Central Persia.

Finally, it seems improbable that the Persian Government could itself permanently secure the safety of the railway if built, or even the freedom of the construction from molestation by the tribesmen; we might easily be called on to send troops to Khoremad to protect the line from destruction, and it is not endangered thereby. International interference with the same object would be even more obnoxious to us. This objection applies, it is true, to road construction in Luristan, but in the latter case the capital involved is comparatively quite small, and the amount of damage that can be done less.

6. Such are some of the arguments which may be urged against the railway apart from its financial aspects, which are dealt with below (paragraph 9). In favour of the line it may be urged that the Bagdad-Kermanshah line, connected as it is with Bussorah by river only, is not suited to convey agricultural produce to the sea, that it will not sufficiently develop the export trade, which will be hampered by transit dues, and it is upon an increased export trade that we must rely to obtain any substantial increase in the volume of our imports. It may further be said that Turkish obstruction may be counted on as a certainty, and that we shall in practice be unable to guarantee that freight rates will not be manipulated to our disadvantage, as in the case of the Hamburg-Amerika line. But if these objections can be satisfactorily met, much of the necessity, from our point of view of the Luristan line, would seem to disappear. Control of the Bagdad section should enable us to prevent differential rates on the Khanikin-Kermanshah extension.

It may be pointed out that the Mohammerah line is vastly superior, from the point of view of purely Persian interests, and that our oil industry in South-western Persia will benefit by the line, and stress may be laid on the rapid increase of trade that will follow the construction of the railroad; this is undoubtedly a good argument, but it presupposes the restoration and maintenance of order in South-western Persia, a consummation still far distant, specially in Luristan.

To a large extent, moreover, the Bagdad-Kermanshah Railway will have the same effect at a minimum of expense and without the political and financial risks that, it has been suggested, a railway may involve.

As regards the effect of the railway upon the Sheikh of Mohammerah, it may be held that, as in the past so in the future, he will adapt himself to altered circumstances, and, with our support, maintain his present position *vis-à-vis* the Persian Government. An investigation of this point, however, involves the discussion of probabilities and contingencies too remote for consideration within the limits of this report.

7. It may be urged that, for strategical reasons connected with the defence of India, it is undesirable that a connection should be made by rail between Central Persia and the head of the Persian Gulf, but such considerations apply with greater force to the Trans-Persian Railway, which, it is understood, has been accepted in principle by the Government of India, subject to proper safeguards. In any case, as long as we have naval predominance in the Gulf, the Luristan Railway can have little value to Russia, more particularly if its terminus be at Mohammerah, up the Shatt-el-Arab River, and not at Khor Musa.

It may also be argued, on the other hand, that "the time may come when the power of rapidly moving a force to Tehran or its neighbourhood by so short a route from India may be of great advantage" (memorandum by Major Baird, D.S.O., dated the 5th June, 1907, printed by chief of staff's division, India). Such prospective value to us seems, however, very problematic, as also its military value to Russia, and I do not think that we need have any serious apprehensions as to the strategical effect of the line upon our position in the Gulf.

My humble opinion, after weighing the advantages and disadvantages of the Luristan line is that the best course for us would be to build the Mohammerah-Dizful Railway as soon as possible and connect at once by a well-built road to Khoremad and Burojird.

From Dizful to Hamadan by road is about 250 miles, from Bagdad to Hamadan about 325. We shall, then, be able to land goods at Hamadan at all events as cheaply *via* Dizful as we are now able to do *via* Bagdad, and far more expeditiously. When the railway is completed as far as Bagdad we should then, and not till then, start on the Dizful-Khoremad section, in anticipation of the prolongation to Khanikin being built,* should we by this time have been forced to give up hope of controlling the Bagdad section, predominance on which would render the construction of the Luristan line in my view, superfluous, in view of the political objections to it.

* There is, I understand, a possibility of the main line passing through Khanikin to Bagdad.

It would probably be to the advantage of both ourselves and Russia to prevent railway construction in Persia for another ten years, but as Germany seems to have succeeded in compelling Russia to abandon this policy, the course I have outlined above seems to offer the fewest objections. It involves no large outlay, and would probably be financially remunerative before long; it also makes no great addition to our commitments in this part of Persia.

8. Gauge of proposed Railway.

We may assume that for our purposes there are three possible gauges, 5 feet, 4 ft. 8½ in., and metre gauge. There would seem at first sight to be good *prima facie* grounds for choosing the Russian (5 feet) gauge, which would facilitate the prolongation from Khorremabad to Burujird, which I believe to be essential to the success of the line, and the extensions thence to some point or points on the Russian railway from the north when it comes to be constructed. But I have submitted in the succeeding paragraph that it is only by building the line to metre gauge that we can ever hope to make it a financially sound proposition. This argument should suffice to outweigh any objection by Russia against the break of gauge, which is in itself strategically most desirable. The financial argument has the additional advantage of enabling us to put forward strong reasons for a break of gauge on the border of the neutral zone no less than on that of the British zone.

The 4 ft. 8½ in. gauge, as used on the Bagdad Railway, enables a high rate of speed to be attained by heavy trains, but it is financially objectionable, and would be so on strategical grounds should the Tehran-Khanikin line be built to this gauge.

The 2 ft. 6 in. gauge advocated by Sir T. E. Gordon is, I would submit, too small to be economical; it has only been adopted in India for a few hill railways of exceptional difficulty and some feeder lines in Southern India.

The metre gauge is much the cheapest and can be used with sharper curvature than the broader gauges; the rate of speed is slower and the maximum load that a train can carry is less. As the Luristan line is never likely to be a mail or main passenger line, the slower speed seems unimportant; and as regards the traffic it could carry, though I can profess no expert knowledge on the subject, I venture to record my belief that a metre gauge will be ample for the requirements of the country for the next twenty-five years at any rate. Putting the train load at the low figure of 400 tons, one train a day would deal with 150,000 tons a year. This question is further dealt with in the next paragraph.

Whilst considering the metre gauge for financial and strategical reasons in every way preferable, I have nevertheless estimated for a broad gauge line, whilst adding estimates for meter gauge as far as I am able to deduce them.

9. Financial Prospects of the Line.

The estimates of cost of the line (5 feet gauge) are based on the same classification as that adopted by Mr. John for the Baluchistan line, which provided for 5 ft. 6 in. gauge, 62 lb. rails, wooden sleepers, and a small quantity of rolling stock, stations, &c., on a moderate scale. Iron sleepers would, however, be undoubtedly necessary, owing to the prevalence of white ants and the temptation to theft which wooden sleepers would offer to the tribes.

The details of the proposed alignments and their estimated cost will be found in Part II and III of this report.

They may be summarised as follows (converted into £ from rupees):—

	Miles.	5-feet Gauge.		Metre Gauge.
		£	£	£
Via Kuh-i-Dasht—				
Mohammerah-Dizful	174	633,333	} 6,395 per mile	4,460 per mile.
Dizful-Khorremabad	185	1,700,000		
Total	359	2,333,333		1,640,000
Via Kashgan Gorge—				
Mohammerah-Dizful	174	633,333	} 7,657 per mile	5,350 per mile.
Dizful-Khorremabad	140	1,871,000		
Total	314	2,404,336		1,685,000

I was unavoidably prevented by heavy floods and disturbances from examining the Kashgan gorge in detail; it is not improbable that expert examination will prove it to be no more expensive and perhaps cheaper than the Kuh-i-Dasht line, which is, according to my tentative figures, cheaper, though harder, to build, 43 miles longer and of steeper gradient.

10. On the assumption that the cost would diminish proportionately to the gauge (though I believe that it is the general experience of railway engineers that the reduction of cost is not as a rule proportionately equal to the reduction in gauge) the cost of the two alignments by metre gauge would be approximately as shown above.

The cost per mile as shown on the above table may be compared with the payments made by the Turkish Government to the Bagdad Railway Company for each kilometre built, i.e., 10,764l. in bonds per kilometre, equivalent to about 13,600l. in cash per mile.

Taking first the case of the 5-foot gauge, let us assume the total cost to be 2,350,000l. for the purpose of discussion, which I would preface by disclaiming any pretence at expert knowledge. Considering the circumstances of the railway interest, sinking fund charges, and royalties to the Persian Government could scarcely be less than 200,000l. a-year or 576l. a-mile. This is 8·8 per cent., of which I allow interest at 5½ per cent., sinking fund at 2½ per cent., and 8 per cent. or 18,000l. or 5l. per mile for royalties to the Persian Government. To earn this sum gross receipts totalling something like 640,000l., or nearly 1,800l. a-mile, must be earned* assuming the ratio of gross receipts to net receipts to be as three is to one, roughly speaking. At an average rate of about 3d. a-ton per mile,† or 4l. a-ton from Mohammerah to Khorremabad, about 170,000 tons must be handled to earn this sum, the vast proportion of which must be through traffic. I ignore receipts from passenger traffic as unlikely to pay even the running expenses of passenger trains: a couple of coaches attached to a goods train will probably be all that is required for some time to come. It is difficult to see any prospect of more than half the amount of goods traffic required being available for transportation by rail for the next twenty years at all events.

The rate of 4l. a-ton to Khorremabad may seem a high one, but it must be remembered that the Turkish duty of 1 per cent. is equivalent to a duty of more than 1l. a-ton on piece goods (when additional Turkish charges are taken into account), and probably not less than 2s. a-ton on wheat. In estimating the incidents of freights, therefore, these sums should be deducted from the rates charged on the Luristan line.

11. Metre Gauge.

If metre gauge were adopted, net receipts would have to be about 140,000l. a-year, at the same rate, and gross receipts 120,000l., necessitating the handling of over 100,000 tons of goods per annum.

The weights of imports and exports *via* Kermanshah in 1910-11 were roughly as follows:—

	Tons.
Imports	42,000
Exports	3,000
Total	45,000

Allowing for goods smuggled for personal property, the total probably amounts to over 50,000 tons. Of this quantity only 25 per cent. is for local use, the rest being forwarded mainly to Hamadan for distribution. The products of the Kermanshah and Hamadan districts are mainly exported to Russia at present; a railway would certainly divert them to a large extent to the south. Such exports would probably amount to

* Gross receipts of about 228l. a-mile (180l. a-kilom.) are guaranteed in the case of Bagdad Railway.

† The maximum freights authorised on the Bagdad Railway are as follows:—

	Per Kilom.	Per Ton per Mile.
	Paras.	d.
1. General goods, hardware, piece-goods, and manufactures	35	3·2
2. Minerals, stone, meat, fish, preserved vegetables	27	2·35
3. Rice, cereals, coal, flour, fresh vegetables	22	1·9
Cereals in bulk carried over 900 kilom.	6	0·52

(Vide p. 58, Bagdad Railway, No. 1, 1911, Parliamentary Papers.)

Note.—40 paras = 1 piastre; 1 piastre = 2·163d.; 100 piastres = £ T. 1.

20,000 tons a-year to begin with. One of the disadvantages of the Luristan line is that it would obtain very little internal goods traffic, as the Arabistan exports go south to the sea, and the requirements of the province are mainly supplied locally or from India. There is practically no exchange of commodities between this province and the rest of Persia, whereas there is a very large internal trade between Kermanshah, Hamadan, Tabreez, Kasvin, Tehran, &c., amounting to about 500,000*l.* per annum in the case of Hamadan.

There is, therefore, reason to believe that eventually the bulk of goods transported would suffice to make a metre-gauge railway pay, since 30,000 tons of the Kermanshah imports and exports would probably be available at once, and a further 20,000 tons of exports now sent to Russia, may be expected to adopt this line, thus giving us at once half the total required to make the railway pay its way. The project, therefore, though unattractive as a commercial speculation, seems a sound one, though some sort of guarantee at first would appear inevitable. The Persian Government is obviously unable to give one: whether the situation justifies the British Government in doing so is a question beyond my competence, but I have already submitted that the railway is politically disadvantageous to us. Mr. Greenway in his letter of the 7th January, 1911, to the Foreign Office, states definitely that a Government guarantee will be necessary, because of the insecurity of the country.

12. We turn now to the question of a cart-road between Dizful and Khoremad and Burujird.

The approximate length of a cart-road via Pul-i-Kurr to Dukhtar and Madian Rud would be—

	Miles.
From Dizful to Khoremad	154
From Dizful to Burujird	220

A metalled road, suitable to carry heavy motor traffic, with a ruling gradient of 1 in 25 to 1 in 30, with suitable serais and post-houses, and a telegraph line alongside, is what is wanted.

We shall, I think, be on the safe side in estimating the average cost of such a road at not more than 600*l.* a-mile all included, except the telegraph line.*

Such a road should be able to handle expeditiously, if properly organised, all the traffic likely to offer for a long time to come; the capital involved is much less than that necessary for a railway, the prospect of it being damaged by tribesmen less, and the possible profits larger.

Further discussion of this subject is not, however, germane to the present report, and I confine myself to suggesting with great respect that the possibility is one deserving of close examination at the hands of experts. (See also Part 5.)

The Russian native agent at Burujird, in a detailed confidential report to his consul at Kermanshah, to which I obtained access when in the former town, reported that the imports of Russian goods into Burujird (part of which were destined for Khoremad) aggregated 52,000*l.* in value.

Hamadan was the depôt from which the needs of the district were supplied in all cases.

The principal articles were (in order of importance) piece-goods, sugar, kerosene, matches, hardware, tea, and glass-ware, but the value under each category was not given.

There is no doubt that the sugar and kerosene were of Russian origin, and also the glass-ware, and perhaps the bulk of the hardware, but the matches in use in Burujird are Swedish and Austrian, not Russian, though imported through Russia by Russian merchants. As regards piece-goods, the vast proportions are undoubtedly of British make, though Russian patterns are closely imitated.

Mr. Macmurray, of the Imperial Bank of Persia, Hamadan, reports on the 29th March, 1911, that "nothing competes with Manchester goods here except a white material, which comes from looms in India."

Matches, hardware, and glass-ware are commercially of little importance, and as things now stand, therefore, the only articles of importance which Russia now supplies, and which we should furnish if the railway were built, are oil and sugar. The former will shortly be produced by the oil company at Mohammerah or Kasr-i-Shirin, but the total consumption of this product within Persia is likely to be but small for some years to come. The sugar now imported is at present almost entirely foreign, but there seems

* Approximate cost of telegraph line may be taken at not over 600 rupees a-mile.

good reason to hope that before long British sugar may compete successfully in this market.

Piece-goods being unbreakable, compact, and of a high value relatively to their weight, are better suited to mule transport than are the other important commodities which Persia imports, and the advent of the railway will not largely improve our trade in this direction, as we supply practically the whole of West Persia to the exclusion of Russian imports.

PART II.—ARABISTAN PORTION OF ALIGNMENT: DESCRIPTION AND ESTIMATES.

Report on Mohammerah-Dizful Section of projected Mohammerah-Julfa Railway.

14. *Reference to Maps of Country traversed by proposed Railways.*

Mohammerah-Kut Nahr Hashim (1 mile = 1 inch).—Four sheets, Chief of General Staff's Division, 1909-10. Plane table survey with bends and contours.

Mohammerah and Environs (4 miles = 1 inch).—One sheet, F.D., 1909, plane table survey.

Mohammerah-Dizful (4 miles = 1 inch).—Six sheets, Chief of General Staff's Division, 1909.

15. *Length of proposed Railway from Mohammerah to Dizful.*

Via Kut Nahr Hashim, 164 miles.

Via Aminieh (opposite Nasiri), 174 miles.

16. *Route.*

A reference to the map will show that there are really only three possible railway routes from Mohammerah to Dizful:—

- (1.) Via Aminieh and west bank of Diz.
- (2.) Via Kut Nahr Hashim and west bank of Diz.
- (3.) Via Kut Nahr Hashim and east bank of Karkheh crossing Shaur near Shush.

No. (3) can be put out of court at once, owing to its greater length and the comparatively difficult country through which it would have to pass. The hills at Sab'eh (some 350 feet above plain) are represented, near the Diz by a few low gravel hills not over 60 feet high, the Tul Raiyash hills, some 2 miles broad and 250 feet high, find no counter-part near the Diz.

The comparative merits of route (1) and (2) are summarised below:—

(1.) Via Aminieh (Length 174 Miles).	(2.) Via Kut Nahr Hashim (Length 164 Miles).
Would afford alternative route between Ahwaz and Mohammerah in place of present river steamers, whose displacement would clear a way for utilisation of Karun waters for irrigation; the Karun irrigation scheme, however, is generally considered, apart from this, to be unprofitable, and its cost (500,000 <i>l.</i>) is so great as to make its inception impossible. Might suffer from competition of river traffic, as merchants might ship goods to Ahwaz for forwarding thence either by rail or via the Diz to Kal'eh Bandar.	Would facilitate adoption of the Karkheh irrigation scheme an unambitious measure estimated to cost in the first instance 75,000 <i>l.</i> , and returning net profit 20 per cent.
Local passenger and fast goods traffic, but inconsiderable and probably insufficient to counter-balance loss by river competition.	Would secure all the Mohammerah-Dizful traffic and have nothing to fear from competition of river steamers, which would feed Ahwaz, Shushtar, and Isfahan as usual.
	Would give Arabistan a double set of communications (rail and river) serving separate areas, the one serving Dizful, Nahr Hashim, and Hawizeh; the other, Shushtar and Ahwaz.

The balance of advantage lies, I think, with the Kut Nahr Hashim route, and this is the line I recommend, though I estimate for the Aminieh route, which is slightly more expensive.

17. Description of Country through which Line would pass.

Mohammerah-Nahr Hashim Section (86 miles).—Flat, barren, alluvial soil, not liable to flood except close to Mohammerah; floods not sufficiently serious to demand facing embankments with stone; only 6 inches to 1 foot of water, and only for a few weeks. Little sand; no stone; practically no nalas or surface drainage channels. No vegetation. Water obtainable anywhere 15 feet to 20 feet by digging. Kut Nahr Hashim is 250 feet above sea, giving an average gradient from Mohammerah to Nahr Hashim of about 1 in 2,000.

Nahr Hashim-Shaur River (16 miles).—Gently undulating ground; low ridges of soft rock which can generally be avoided, or cut through at low pass. Slope of ground to north still almost imperceptible. No drainage channels or nalas worthy of note. No permanent habitations. Sandhills frequent, but stationary, and offering no obstacle. Stone from hills not good enough for use as ballast, has about the same consistency as half-burnt brick, crumbles rapidly. Shaur must be bridged, see below.

Shaur-Shush (550 feet; 45 miles).—Up to within 10 miles of Shush line follows west bank of Diz. Alluvial soil; no sand or stones; plentiful brushwood. 10 miles south of Shush grand hills, about 60 feet high and $\frac{1}{2}$ mile in breadth, are encountered; these offer no difficulty whatever, and will be valuable source of gravel for ballast. The line would probably leave Shush 2 miles to the west.

Shush-Dizful (680 feet; 18 miles).—Over flat and, near Dizful, stony ground. Excellent ballast available from pebbles and boulders in Diz and Bala Rud. Two branches of Bala Rud to be crossed; see below. Irrigated cultivation in many places.

18. Bridging.

Khaz'ali'ch Canal behind Mohammerah.—Thirty-foot bridge necessary; 12 feet above ground.

Shaur River.—This a mere ditch; as it takes its rise level from springs near Shush, it is subject only to local floods. A 50-foot span resting on masonry buttresses on either bank should be ample. Alluvial soil. North of the Shaur for two miles the ground is subject to flood from marshes by the Kharur nala; pitching of stone or bricks will be required, and one or two culverts.

Bala Rud.—Two branches to be crossed; river bottom and subsoil gravel; river changes its bed from time to time, unless trained; dry in summer; floods to 5 feet or 6 feet in spring, but not more. At certain points the bed of the stream is well defined; at such points the breadth of water at flood level is about 35 yards, normal spring level 20 yards. A bridge composed of three 60-foot spans, resting on masonry pillars would probably be economical. The above applies equally to both branches.

19. Local Labour.

The labour obtainable in Arabistan is of two kinds, Arab and Persian. The Arab, however, is too well off to be under the necessity of working with the spade for 2 krans (9d.) a day, and is constitutionally unfitted for regular and strenuous work. The experience of the Anglo-Persian Oil Company is that it is mainly upon Persian labour that reliance must be placed, but they have had no difficulty in obtaining 1,000 Arabs for work near Mohammerah.

In Ahwaz and elsewhere in Arabistan, Persian (Lur) labourers are plentiful and fairly satisfactory. Usual pay 2 krans a day (9d.).

Dizful labour is above the average, as it includes many skilled cultivators.

Excavation is usually performed by basket and spade. The spade used locally is of a special long-handed type, but the experience of the Anglo-Persian Oil Company is that Lurs adapt themselves readily to the European pattern shovel and pick. The French scientific mission at Shush have had the same experience; they use light rails and trucks for removing spoil with good results, the Lur takes to them readily, long-handed spades are, however, much used.

Lurs, and also Arabs, work best in gangs under their own chiefs; unless some such arrangement is made, they are apt to get out of hand, but they are, on the whole, easily handled and amenable to mild discipline. Good bricklayers and masons are available in Dizful.

20. Gauge.

The gauge of Russian railways in the Caucasus (5 feet) would probably be chosen by the Russian Government for the north section of the Julfa-Mohammerah Railway,

and would presumably be accepted by us, as we could oppose no valid argument to its adoption. A metre-gauge railway would, however, probably suffice for all probable requirements of traffic for many years to come, and would be, on financial grounds, in every way preferable.

21. Gradients.

Practically flat the whole way, the hills at Nahr Hashim and south of Shush could be negotiated quite comfortably with 1 in 350 to 1 in 400.

22. Stations.

Mohammerah.—The terminus at Mohammerah would of course be carefully designed to admit of subsequent enlargement. The site I suggest is on the Shatt-el-Arab above the customs. It has a frontage directly opposite the accepted anchorage on the Shatt-el-Arab, from which it would be easy to throw out piers; the customs-house is close by.

Sab'eh.—A second station, or wayside halt at Sab'eh seems called for primarily in order to give facilities for water which can be obtained here from the Karun.

Nahr Hashim.—A station here would serve Hawizeh, and eventually, should irrigation be undertaken, the Nahr Hashim district. Water obtainable from Karkheh.

Dizful.—The station would be on west bank of Diz opposite town. The abandoned Government house on west bank of Diz (Kushk) might well be utilised in this connection. Provision for its occupation by the railway as storehouse, quarters for staff, &c., might be made in the concession. Water from Diz.

23. Fuel.

The Anglo-Persian Oil Company's refinery at Braim, 5 miles from Mohammerah, is conveniently situated to supply oil fuel in any quantity, and it will be unnecessary to import coal. The engines on the Russian section of the line will be doubtless fitted to burn oil, and it is fortunate that the southern section should be not less favourably situated in this respect.

In the Kulab district, 48 miles off Dizful, there are certain pitch springs, indicating, possibly, the existence of oil in paying quantities. Were a railway through Luristan to be opened, it is possible that the Oil Company would bore for oil there, as also at Tang-i-Haleh near Madian Rud in Luristan.

24. Estimated Cost of Mohammerah-Dizful Section.

Sir William Willcocks has estimated the approximate cost of construction and equipping a railway of 4 ft. 8½ in. gauge in Arabistan at about 3,000l. a-mile. This corresponds closely with Mr. W. A. John's estimate (for Seistan railways) of 50,000 rupees a-mile for "surface line" 5 ft. 6 in. gauge. Taking the latter figure, the cost of this section would, via Aminieh, be 87,00,000 rupees. Sir William Willcocks quoted his figure as an outside estimate. The total cost inclusive of special works is estimated at 633,333l. (*vide* paragraph 18). For metre gauge the cost should not exceed 500,000l.

25. Local Traffic.

Dizful-Mohammerah.—Imports from Mohammerah and Anarah into Dizful are not large, probably not over 1,000 tons per annum. Exports are even smaller, owing to lack of communications. The existence of a railway would afford a stimulus to agriculture, and the exports of grain, reeds for pens, oil seeds, cotton, wool, gum, galls, &c., would rapidly increase and might reach a total of 10,000 tons by the end of the third year.

It is not probable that the railway, even were it to touch the Karun opposite Ahwaz, would be able to secure an appreciable proportion of the imports and exports which are now transported by steamer between Ahwaz and Mohammerah, and forwarded from Nasiri to Ispahan by mules.

It seems certain, therefore, that the river steamers will always be in a position on this river, so long as it is not utilised for irrigation, to compete successfully with the railway.

The necessity of transporting goods brought up by railway across the Karun to Nasiri from Aminieh, the railway station on the opposite bank, a process involving

double handling, would make shippers unwilling to use the line, particularly as the ocean going steamers can now unload straight into barges which are towed up to Nasiri without breaking bulk, and are passed through the customs there instead of at Mohammerah.

Other Local Traffic.—Hawizeh may be expected to give 200 to 300 tons imports and 1,000 to 1,500 exports; this figure would probably be doubled in three years after the railway was in working order.

26. Reason why Mohammerah and not Ahwaz should be Terminus of the Railway.

A brief note on this point seems necessary owing to the persistent public advocacy of Ahwaz as the terminus of this line by Mr. H. F. B. Lynch, who, as managing director of the Euphrates and Tigris Steam Navigation Company, presumably views with concern the possibility of competition by the railway between Ahwaz and Mohammerah with his steamers on the Karun.

The Ahwaz-Mohammerah line will be cheaper; the river boat service is slow, and uncertain, owing to shoals, dust-storms, &c. Landing facilities for cargo at Aminieh would be difficult, owing to shoals in river, which frequently changes its main channel. The river boat service, unless a very large increase of traffic took place, could not run more than two boats a-week; and goods and passengers would run the risk of waiting three or four days at Mohammerah, if not more. The interposition of a river steamer service would involve two, if not more, additional handlings of the goods, involving expense and risk of breakage which is a heavy item in this country.

27. Reasons why Shushter should not be touched by the Railway.

- (1.) It would add about 20 miles to the length of the railway.
- (2.) It would involve the construction of three large bridges on the Karun and its tributaries, and several minor ones, thus adding greatly to the cost of the line; the alignment via Shushter would, moreover, independently of the necessary bridges, be considerably more expensive per mile than that via Dizful.
- (3.) It would involve negotiations with the Bakhtiari Khans in respect of the Shushter-Dizful section, and with the Shushteris in regard to the Band-i-Kir-Shushter section; both are difficult to deal with, particularly the latter.
- (4.) Shushter is a decaying town, and would be so to a greater degree but for the fact that at present it serves as a depôt for Dizful. Its needs are sufficiently supplied by the steamer service on the Upper Karun. The town is, however, mentioned in the Shah's rescript referred to above, on the subject of railway concessions, and it appears in the British note to Persia on the subject.

28. Time required for Construction of Mohammerah-Dizful Railway.

Since construction could be started at half-a-dozen points without inconvenience (communication by river extending to within town of Dizful, close to the line of railway), the rate of construction will depend chiefly upon the amount of labour employed. There would seem no reason why the line should not be completed within two years from date of commencement of actual operations.

Labour is plentiful, work can go on all the year round, and as far as this section is concerned, practically nothing is needed but the simplest earthwork, and not much of that.

Any concession for such a railway from the Persian Government should include the right to run steam- or motor-boats and barges on the Diz and Upper Karun for the purpose of transporting material, &c.

29. Persian Gulf Terminus: Reasons why Mohammerah and not Khor Musa should be selected.*

The navigation of Khor Musa is not without danger, owing to the Ummul Siswan and Ummul Dibab rocks. It is destitute of fresh water, which could only be brought with great difficulty from near Fallahieh or Buzieh, 40 miles distant. The whole land for many miles round and inland is flooded twice daily at high tide, and farther

* The terms of our application of March 31, 1911, for a railway option were "for a port at Khor Musa and for a railway northwards as far as Khorremabad, with a branch to Mohammerah if found desirable."

north lie great marshes, impassable on foot for eight months in the year, extending half way to Ahwaz. No measures could ever make Khor Musa a habitable port, in my belief, and were the railway to be brought down to the coast at this spot, the vast proportion of goods traffic would still find an outlet from Mohammerah, the Karun River steamers being used between Mohammerah and Ahwaz and *vice versa*. It goes without saying that no passengers would ever want to go to Khor Musa, and receipts under this head would be negligible.

The climate of Mohammerah in summer leaves much to be desired, in spite of the amenities afforded by ice, fruit, and fresh vegetables in plenty; but that of Khor Musa is trying to a degree which only those who have visited it (as I have) on several occasions during the summer months, can realise. The muddy shore into which the feet sink ankle deep at every step, is impregnated with salt, and becomes so hot that no native can walk barefoot on it; and for a European thick boots alone can save him from acute discomfort. Stinging gnats and flies from the adjacent marshes swarm by night, and would make sleep impossible were it not for the fatigue caused by the long sweltering day. Hot winds blow by night as well as by day.

Every consideration, I submit, points to Mohammerah and not Khor Musa as the proper terminus, and I have worked on this assumption throughout. I quite realise, of course, that it is desirable for us to have a blocking option, irrespective of Khor Musa, for political and strategical reasons.

30. Position of Sheikh of Mohammerah in regard to Railway in Arabistan.

The Sheikh of Mohammerah may be expected, in view of his close relations with the British Government, to co-operate with the latter in any scheme proposed by them for a railway through his territories. As the chief of a hegemony of all the Arab tribes in Arabistan, and responsible for their attitude to the Persian Government, it is upon him that we must rely to maintain order and prevent tribal animosities from impeding the progress of operations; the experience of ten years shows that he will not fail to do so. But his position as landowner must also be borne in mind. He holds farmans granting to him, among other districts, that of Mohammerah, which extends up to the west bank of the Karun, to a point a few miles north of Sab'eh.

From this point to Shush, 15 miles south of Dizful, the proposed alignment passes through the following districts, all of which are claimed, under farmans of the Shah by the present Nizam-es-Saltaneh, nephew of the late Husain Kuli Khan, Nizam-es-Saltaneh, to whom they were originally granted. They are all leased to Sheikh Khuz'al:—

- (1.) Karun west bank.
- (2.) Kut Nahr Hashim.
- (3.) 'Anafijeh.
- (4.) Hussainabad.

It would probably be easy to obtain unirrigated land free of cost, and thus reduce the cost of acquisition of land to a small figure, as the railway would pass through irrigated land only at the terminus, Mohammerah, and near Dizful.

Were it decided to commence construction of this line the first step would be to conclude an agreement with the sheikh by which he undertook responsibility for the safety of the line, and granted the necessary land at a fixed price. The Nizam-es-Saltaneh might be left to put in his claim for compensation in respect of the cultivated lands or the lands intermittently cultivated which have been appropriated for the use of the railway and which he may claim as his own.

The lands in the neighbourhood of Shush belonging to the Nizam, have been leased to a Russian subject for twenty-five years, but he is not likely to be in a position to raise serious difficulties, and his lands could be avoided if necessary by keeping west of the Shaur till Shush was passed, or by keeping east of the Diz, crossing it again near Dizful.

31. Possible Tribal Opposition outside Sheikh's Territories.

I think it improbable that any serious opposition to the construction of the line, or of any serious attempt to interfere with it when constructed, would be experienced. A hundred armed men supplied by the sheikh would be ample to protect the camps from occasional raiding parties of trans-frontier Arabs, and the Persian Government could be induced to consent to the employment of pioneers from India, their double rôle of workmen and soldiers would stand them in good stead and probably greatly facilitate

rapid construction. Moreover, their position and duties as pioneers would conceal to a large extent their military rôle and enable their services to be utilised without causing great alarm to the Persian Government.

The presence of Lur tribes, mainly Sagwand, in the neighbourhood of Shush and Dizful might cause some slight difficulty, but these tribes take readily to manual labour, and the advent of the railway, with the consequent demand for unskilled labour, would be welcome to them. In any case, the support of their chiefs could be obtained without great expense.

32. Total Cost of Arabistan Section.

Adopting the Aminieh alignment for the purpose of my estimate, and assuming broad gauge to be desired, as elsewhere, I deduce the following estimate of cost:—

	Rupees.
174 miles "surface line," at 50,000 rupees a-mile	87,00,000
Special works—	
(1.) Mohammerah terminus wharf, &c.	6,50,000
(2.) Aminieh ferry service, wharves, tramway above rapids, &c. ..	1,00,000
(3.) Repairs of Dizful Bridge	50,000
Total	95,00,000
= 633,000 <i>l.</i> (3,640 <i>l.</i> a-mile).	

At metre gauge the total cost should not be over 500,000*l.*

Special works (2) and (3) require some explanation. If Nasiri is to be served by the railway, some provision must be made for a ferry service and proper landing places on either side of the river. Provision must also be made for a light tramway, or slidings, connecting the Aminieh station with some convenient point above the rapids whereby goods can be transferred direct to steamers on the Upper Karun.

The repairs of the Dizful bridge is a most necessary undertaking, in order to ensure traffic between the railway and the town being uninterrupted, and attended with less peril than is now the case, the centre span being unfenced and very rickety.

PART III.—DIZFUL-KHOREMABAD PORTION OF ALIGNMENT.

33. Alignment of the Railway through Luristan.

We must now consider the alignment of the railway through Luristan, it being assumed that Dizful is the point of departure in the south, and Burujird the objective in the north. The limits within which an alignment for a railway between these two places must be sought are, broadly speaking, the Dizful-Kiyalan Dalich-Khoremad-Zagheh-Burujird route to the east, and the Kal'eh Saidmarreh-Gulgul-Dureh-Khoremad-Bairarwand-Burujird route on the west.

There is a general consensus of opinion, with which I am in full agreement, that east of the Kiyalan route no practicable alignment even for a mule track can be found; the idea, which has been prominently mooted in the public press, of selecting an alignment via the Ab-i-Diz valley must therefore be dismissed at once as impracticable. Sir Henry Rawlinson (1844) writes of it from personal experience as follows:—

"From the Tang-i-Bahrain (south-east of Burujird) the Dizful River forces its way through a succession of chasms and gorges, and the track along its bank is utterly impracticable. Indeed, this part of the Zagros is so very precipitous that there is only one single pathway conducting across it from Dizful to Burujird; it is followed by nomads on foot; it is not to be traversed by a horseman, and is considered the most difficult of all mountain pathways. It breaks into the Sahra-i-Lur (north of Dizful) between the hill forts of Tangawan and Kal'eh-i-Shahi."

Major Bell (1884) and Major Sawyer (1889) (the latter surveyed much of the district) confirm these conclusions, as also does M. de Morgan (1891) from personal experience (p. 167, vol. ii).

On the other hand, the adoption of any alignment west of the Saidmarreh-Kuh-i-Dasht line would increase the length of the railway out of all proportion to any economy that might be secured thereby; and in any case I am satisfied that the Saidmarreh-Kuh-i-Dasht or else the Khasgan gorge route is the easiest that can be

found. Mention should perhaps be made of a possible route via the eastern branch of the Ab-i-Diz (through Baznawi), but even were this branch not put out of court by reason of its greater length, Major Sawyer's verdict is against it.

"The level river bed road, which is said to have passed through this gap, and traces of which may be seen at Baznawi, may be considered to have been an old world route before the more modern gap of Khoremad was brought into use. The latter is, perhaps, better suited for the demands of the immediate future; for though it has the comparative drawback of being on a higher level than the river course of the Ab-i-Burujird, for instance, the latter might, owing to its numerous gorges and precipitous banks, require greater initial expenses to receive a civilised road or rail."

This condemnation applies equally to both branches of the Diz above Dizful.

Acting upon these premises, I first of all examined the country east of the Kashgan with a view to finding a suitable alignment; dissatisfied with the result, which worked out, as will be seen later on, at over 12,000*l.* a-mile, for 184 miles, I proceeded to investigate the country west of the Kashgan River, and found a much better alignment, estimated at 185 miles at about 9,100*l.* a-mile.

34. The first "ruling point" which any alignment must necessarily touch is the Ab-i-Zal, where it traverses the plain of Kal'eh-i-Riza. This can be reached from Dizful via Kali-i-Nai or Kal'eh-i-Husainieh. The former route is shorter but more difficult; it traverses no great elevation, Kali-i-Nai (1,700 feet) being the highest point touched, but from Dukuh onwards for practically the whole of its length it crosses a succession of low ridges separated by ravines often from 50 to 100 feet deep, and a railway would involve alternate deep cuttings, lofty embankments, and bridges; the lengths of "surface" line being not more than 2 miles between Dukuh and the Raza plain.

I recommend the Kaleh-Husainieh alignment therefore, and will proceed to describe its general features.

35. First Section: Dizful (700 feet), Dukuh (900 feet), 12 miles.

A gentle rise of 20 to 30 feet per mile throughout, increasing slightly near Dukuh. For the first 6 miles, as far as Salihabad, undulating well-cultivated ground, cultivated in places. Numerous small irrigation canals near Salihabad. The formation is conglomerate, with a thin covering of soil or debris from the Bala Rud and Kuh-i-Tangawan. From Salihabad onwards the ground is stony, and the line suggested crosses many small watercourses, dry except immediately after rain, bringing down quantities of debris from the hills.

The best alignment, I should say, would pass the ancient tanks known as Do Hauzan, and would enter the low hills at Dukuh, about 3 miles east of the Bala Rud.

Cost.—This section may be classed, following Mr. John's estimate, as "easy line" at 90,000 rupees a-mile for 6 miles, "surface line" at 50,000 rupees for 6 miles; total, 840,000 rupees. Small culverts and revetments will frequently be necessary, ballast everywhere available; embankments will be expensive where necessary, as there is little soil, the ground being mainly boulders and gravel. Building stone is not available; bricks will be cheaper and easily available (of square tile shape) in Dizful.

36. Second Section: Dukuh (900 feet), to Kal'eh-i-Riza (1550 feet), 23 miles.

(Approximate along proposed Alignment.)

Major Bell (1884), *a propos* of cart-road construction, remarked of this section that "the amount of roadmaking to be done, zigzagging in and out of ravines, between a few miles south of Kal'eh-Husainieh (1,150 feet) and the Bidrubed plain will exceed that in any equal distance between Dizful and Khoremad."

Between these points the track winds its way amongst intricate hills, of no great elevation, composed of sandstones topped with a hard conglomerate in places; it constantly crosses ravines from 50 to 100 feet in depth. Without a detailed survey of this section it is impossible to suggest any particular alignment. I satisfied myself, however, by a bird's-eye view from Bard-i-Balleh and other points, that it cannot be

* "Reconnaissance in Bakhtiari Country, South-West Persia, 1891," Part I, p. 13.

circumvented. Three ravines about 100 feet deep are crossed, and about twenty smaller ones averaging 50 feet. From Bidrubeh onwards to Kal'eh Riza (3 miles) the alignment should present no difficulties; by keeping north of the present track, not far from the foot of the limestone hills to the north, there should be no difficulty in obtaining a good though costly alignment of, say, 1 in 75 to 1 in 100.

The Bala Rud must be bridged somewhere between Dukuh and Kal'eh-Husainieh. The average breadth of the ravine in which it runs is about 300 feet at bottom and about 60 feet deep.

The whole section will be a difficult and expensive one to survey and to construct. No great difficulty is to be anticipated in regard to the gradient, as the route rises steadily from Dukuh to Kal'eh-Husainieh (1,150 feet), with an average slope of 30 to 40 feet to the mile. No difficulty should be thus experienced in obtaining a gradient of 1 in 100, though heavy cutting and embanking, and bridges of some height, must be looked for throughout. By increasing the ruling gradient to 1 in 50 some saving would no doubt accrue, but it would convert the railway into a switchback, so narrow in section are the ridges to be traversed. I do not think tunnelling could be usefully resorted to at any point. Between Kal'eh-Husainieh (1,150 feet) and Kal'eh Riza (1,550 feet), 14 miles, the highest point that the railway would have to traverse is about 1,700 feet, 4 miles from Kal'eh Riza.

Cost.—Considering the section as a whole, I class it as follows:—

					Rupees.
Medium hilly:	10 miles at 1,25,000 rupees	..	..	..	12,50,000
Heavy ghat:	7 " 1,75,000 "	..	..	..	12,25,000
"	6 " 2,25,000 "	..	..	..	13,50,000
Total	..	..	..	..	38,25,000

37. Third Section: Kal'eh Riza (1,550 feet), to Ziarat Ahmad Kuchikeh (1,950 feet), 14 miles.

I select Ahmad Kuchikeh as the end of this section because it is a ruling point through which any alignment must pass, being the lowest point of a saddle formed by an extension of the slopes of the Kabir Kuh across the valley; the Saidmarreh River forces its way through the obstacle thus placed in its way by a deep gorge, the ravine being some 200 feet higher than the proposed alignment.

Between Kal'eh Riza and Pul-i-Tang (9 miles) two alternative alignments present themselves, the first keeps to the northern side of the Kal'eh Riza plain, crosses the Zal just below the point where it enters the plain, near an ancient (probably Sassanian) high level bridge or aqueduct, and keeps to the foot of the gypsum hills, crossing the Ab-i-Tirada and four large ravines till it debouches on to the gentle limestone slopes near Pul-i-Tang.

The advantages of this alignment are—

1. It does not descend below 1,350 feet;
2. It is probably 1 mile shorter than the alternative route;
3. It does not cross the Saidmarreh;
4. A gradient of 1 in 100 could in all probability be obtained, though at great cost.

Its disadvantages are—

1. Not less than six bridges of some size;
2. Heavy cutting for about 2 miles alternatively with heavy embankments;
3. Awkward curves round gypsum spurs;
4. Hills traversed between Tirada and Pul-i-Tang are gypsum, which is rapidly corroded by water, and which blasts badly, being of very unequal consistency.

The alternative alignment keeps to the south side of the Kal'eh Riza plain, crosses the Saidmarreh at 1,300 feet just below its junction with the Zal and Tirada streams; continues over the flat stony plain of Sieh Gilal, and recrosses the Saidmarreh at 9 miles near Pul-i-Tang (1,300 feet). This alignment has the following disadvantages:—

1. It reaches a level 50 feet lower than the first-mentioned line.
2. It involves two bridges across the Saidmarreh.
3. It involves a gradient of between 1 in 50 and 1 in 75 between Pul-i-Tang (1,300 feet) and Ziarat Ahmad Kuchikeh (1,950 feet), a rise of 450 feet having to be distributed over about 5 miles.

A 50-foot cutting through the gypsum at Ziarat Ahmad Kuchikeh will assist matters, and a slight increase in length can be arranged for, so as to diminish the slope, but the best that can be expected is 1 in 75. There will be no difficulty in keeping an even gradient from Pul-i-Tang to Ahmad Kuchikeh, as for the whole distance the line will cross gentle limestone slopes. Its advantages are:—

1. Cheapness. I think it will be found that the cost of the two bridges is amply compensated for by the lack of heavy works elsewhere.
2. Rapidity of construction. The heavy cuttings through the gypsum hills will take a long time, as also will the bridging of the ravine.

It will necessitate the following bridges:—

1. Across Saidmarreh below the Zal junction; steep but not precipitous. The river is here 150 feet to 200 feet broad; banks 60 feet to 80 feet high; bed rocky; depth unknown, probably not over 10 feet in summer; width from bank to bank about 450 feet.

2. Across Saidmarreh, near Pul-i-Tang. The river here flows through a deep gorge 6 feet to 10 feet broad at bottom, 12 feet to 20 feet at top, but no more than 8 feet broad in places; it is bridged by a single-span stone bridge; a bridge some 250 yards long would be necessary, but no spans need be longer than 20 feet.

Gradient.—From Kal'eh Riza to Saidmarreh 1 in 100 can be obtained without difficulty. From Saidmarreh to Pul-i-Tang level; from Pul-i-Tang to Ziarat Ahmad Kuchikeh 1 in 75.

Curvature.—Easy throughout.

Formation of Ground.—Riza plain: Stony alluvium.

Sieh Gilal: Stony alluvium.

Pul-i-Tang—Ahmad Kuchikeh: Gentle limestone slopes inclining 4° to south; no soil available; no large ravines to cross or other awkward features.

Cost.—I class this section as follows:—

					Rupees.
Medium hilly:	Riza to Pul-i-Tang, 9 miles at 1,25,000 rupees	..	..	..	11,25,000
Hilly:	Pul-i-Tang to Ahmad Kuchikeh, medium (on rock), 5 miles at 1,50,000 rupees	..	..	..	7,50,000
Bridge across Saidmarreh—					
(1.) Below Zal Junction	..	..	..	..	1,00,000
(2.) Near Pul-i-Tang	..	..	..	..	50,000
Total	..	..	..	..	20,25,000

Before passing on to the next section mention should be made of the great potentialities of the Pul-i-Tang gorge mentioned above for the generation of electric power on a large scale.

38. Fourth Section: Ahmad Kuchikeh (1,950 feet), to Ab-i-Fani (1,500 feet), 15 miles.

Ab-i-Fani may be taken as the next ruling point beyond Ahmad Kuchikeh; its height where it joins the Saidmarreh is 1,500 feet, where it issues from the gorge through Kiyalan Kuh 1,700 feet. The distance for railway purposes may be taken as 15 miles. From Ahmad Kuchikeh there is a steady descent down the Jauzar valley till at about 5 miles the Saidmarreh is reached at the point where it enters the long gorge, the south end of which is Pul-i-Tang, height here 1,400 feet; there is therefore a fall of 450 feet in 5 miles to be negotiated. If the line be taken along the limestone slopes between the Jauzar stream and the Saidmarreh gorge there will be no difficulty in giving an even gradient, and curvature will be easy, but it will be difficult to get a gradient much better than 1 in 60; 1 in 100 could be attained, but at considerable expense, by following the outlines of the foot hills of Kiyalan Kuh, only touching the 1,400 feet level near the Lailum stream, but the curves will be awkward, the length of line probably 1 mile at least greater, and the work difficult and expensive. As 1 in 50 will be unavoidable in subsequent sections, I propose the former alignment; it passes over gentle limestone slopes with no difficult features such as spurs or ravines.

The next 5 miles to the Ab-i-Lailum lie along the Saidmarreh valley, near the river. The Lailum stream can be crossed half-a-mile above its junction with the river. Height of the stream here 1,500 feet, banks 50 feet higher; width from bank to bank

300 feet; fordable; rocky bottom; width of stream average 200 feet; water slightly bitter, not over 1 ft. 6 in. deep in summer.

From Lailum to the Fani stream, 5 miles, the best alignment seems to be close to the river; easy throughout, except at 15 miles, where there is an awkward sput abutting on the Saidmarreh: it would involve heavy cutting.

As regards cost, I think this section may fairly be classed as follows:—

	Rupees.
Easy: 5 miles at 1,25,000 rupees	6,25,000
Medium hilly in rock: 8 miles at 1,50,000 rupees	12,00,000
Heavy ghat line: 2 miles at 1,75,000 rupees	3,50,000
Total	21,75,000

39. We have now reached the point where the alignments respectively east and west of the Kashgan River, commence to diverge.

I went over the eastern alignment via Dalich and Dadabad with care, surveying it throughout. As, however, I rejected it in favour of a line along or west of the Kashgan, it seems unnecessary to trouble Government with a detailed description of it.* I will therefore confine myself to an abstract of the length and cost of this line, as estimated by me:—

	Miles.	Rupees.
Total sections 1 to 4	64	88,65,000
Section 5.—Ab-i-Fanti Chul	21	34,75,000
" 6.—Chul-foot of Dalich	26	55,00,000
" 7.—Ab-i-Sard Chimashk	17	29,50,000
" 8.—Chimashk	15	22,75,000
" 9.—Dadabad-Khoremad	40	73,00,000
Total	184	3,34,65,000

= 2,231,000l. (average over 12,000l. a-mile).

Railway gradient 1 in 50. Curvature difficult: 200 yards radius the best that can be hoped for in many places.

40. The Madian Rud Alignment, West of the Kashgan.

I will now proceed to describe the alternative alignment west of the Kashgan River, to which I turned my attention as soon as I had reached Khoremad by the route described above. It diverges from the alignment first described at the end of the fourth section, the totals up to this point being 64 miles, costing 88,65,000 rupees.

Before describing this section, I may remark that a gorge line up the Kashgan to Dureh is probably practicable, but I have not been able to go fully into the question as the Kashgan was not fordable, and the track which runs up the Kashgan valley crosses the river constantly. An alignment up the gorge, as far as I can make out, after examining it for 6 miles above Pul-i-Kurr to Dukhtar, and at Tang-i-Tir, and near Pul-i-Kalhur would be a very expensive gorge line, with fifteen or twenty bridges of 100 feet or so each over the Kashgan. We may estimate the cost at 3 lakhs a mile for 60 miles = 180 lakhs. This compares rather unfavourably with the Culgul Madian Rud alignment described below, but the possibility is well worth careful examination when the time comes. This alignment is dealt with in paragraph 46.

41. Fifth Section: Ab-i-Fani (1,400 feet), to Mouth of Tung-i-Khiradarr (2,100 feet), 20 miles. (Approximately by Alignment along Saidmarreh and Kashgan Rivers to Jaidar.)

This will be a difficult and expensive section: gradient on the average easy, not more than 1 in 75. The line would follow the general line of the Saidmarreh River to where it is joined by the Kashgan, below Pul Gamishan; thence up the Kashgan valley to the mouth of the Tang-i-Khirsadarr, within which lies the ruins of a splendid Sassanian bridge, known as the Pul Kurr o Dukhtar or Pul Shapur. I think I shall

* The detailed notes of this alignment are on record in the Bushire residency.

be within the mark if I class it as "heavy ghat" at 1½ lakhs of rupees a-mile for 20 miles.

	Rupees.
Total for section 5 (20 miles)	35,00,000
Grand total (84 miles)	1,23,65,000

42. Sixth Section: Mouth of Tang-i-Khirsadarr (2,100 feet), to top of Tang-i-Millehdar, on Rumishgan Plain (4,100 feet), 19 miles.

This will be the most difficult piece on this alignment, for it is here that we ascend on to the Luristan plateau, a rise of 2,000 feet in 19 miles.

The Tang-i-Khirsadarr is accessible from the south, it may be noted, only on foot, unless the Kashgan is fordable.

There is a possibility that the alignment for a metre-gauge railway would be easier up the Tang-i-Khirsadarr and the Pam Paris valley than via Millehdar, as now described.

I have submitted a separate report regarding the suitability of the former alignment for a cart road.

The alignment, I suggest, runs along the slopes of Kuh Maleh, rising steadily on a gradient of about 1 in 50. This hill is a saddle back; slope of rock on southern side 15 to 20 degrees; formation very hard limestone; face of hill but little furrowed by water-courses, and contour lines very straight. The track will have to be made by blasting and revetting the whole way.

I shall, I hope, be on the safe side in allowing 2 lakhs a-mile for this section.

	Rupees.
Total for section 6 (19 miles)	38,00,000
Add for Kashgan bridge	2,00,000
Total	40,00,000
Grand total (103 miles)	1,61,65,000

43. Seventh Section: Top of Tung Millehdar to Kuh-i-Dasht Plain.

This section traverses four low ranges of hills; the first range Daghilleh-Sidann is pierced by the Yang Jangir, through which the alignment proposed passes; the second range Madian Kuh is skirted to the east, and crossed at its lowest point about 4,500 feet. The third range K. Astan-Kalkhani is similarly circumvented at about 5,000 feet. The fourth range is pierced by the Tang Haleh and by the Madian Rud (4,150 feet at the bridge); but it will probably be cheaper to take the line via Gulgul, and pierce the fourth range by a tunnel of ½ mile at the north end of the Kuh Dasht plain near Chasmeh Kamir; the height of the range here is 4,700 feet, that of the spring about 4,500 feet.

There is no use my suggesting any particular alignment: several alternatives readily suggest themselves to anyone on the spot. I estimate the distance that would have to be covered by the line in order to reach the south edge of the Kuh-i-Dasht plain at 20 miles of which 10 miles easy at 75,000 a-mile and 10 miles at 1½ lakhs, as a good deal of blasting will be required.

	Rupees.
10 miles	7,50,000
10 "	15,00,000
Total for section 7 (20 miles)	22,50,000
Grand total (123 miles)	1,83,15,000

44. Eighth Section: Kuh-i-Dasht Plain (4,500 feet), to Kashgan (3,650 feet), 35 miles.

In this section we have to traverse or circumvent the Kuh-i-Guraz range, 6,000 feet high. It has a breadth of over 4 miles, and tunnelling is scarcely practicable; it can, however, be circumvented to a large extent by skirting it eastward towards the Kashgan. This involves a rise to about 5,800 feet, and thence a steady fall can be provided to the Kashgan, which would be crossed probably not far from the bridge at 3,690 feet. The anarchical conditions prevailing prevented me from examining the whole of the alignment, but I am satisfied that it is practicable.

Distance.—Difficult to estimate, as owing to haze I was unable to triangulate satisfactorily.

Across Kuh-i-Dasht Plain, 8 miles; rising from 4,300 feet to 4,700 feet skirting south slopes Kuh-i-Guraz to east to near Kashgan 12 miles; from 4,700 feet to 5,000 feet, and thence, downwards, round east end of Kuh-i-Guraz to near Tang-i-Tir, 8 miles, and another 7 miles to some point near Pul-i-Kashgan; total 35 miles.

Cost.—The first 8 miles may be classed as "easy" at 75,000 rupees a-mile; the remaining 27 may be put down at not less than $1\frac{1}{2}$ lakhs a mile:—

	Rupees.
8 miles at 75,000 rupees	6,00,000
17 miles at $1\frac{1}{2}$ lakhs	40,50,000
Bridge across Kashgan (say)	1,50,000
Grand total for 158 miles	2,31,15,000

The last 15 miles are along rocky slopes mainly of fairly stiff shale, but with a good deal of very hard limestone in places, and heavy cuttings through the smaller spurs. It should be possible to adopt a gradient not steeper than 1 in 75.

45. Ninth Section: Kashgan (3,650 feet), to Khoremabad (4,400 feet), 27 miles.

The alignment would follow the Kashgan River to its junction with the Ab-i-Khoremabad, and then follow the general trend of the latter stream to the town. Various alternatives will doubtless suggest themselves when a proper survey is made, but the general alignment will remain the same. This section will present no difficulty; the last 10 miles would be "surface" line, were it not for the numerous small bridges and culverts that will have to be constructed, and a slight embankment will be necessary to keep the slope even from terrace to terrace. The first 17 miles will be difficult to align, but should not be very expensive to construct, the hills being mainly of alluvium or shale with a little limestone. Gradient easy throughout—

	Rupees.
17 miles	21,25,000
10 "	2,50,000
Total for 27 miles	23,75,000
Grand total, 2,54,90,000 rupees for 185 miles (say 1,700,000L, or 9,100L a-mile).	

46. The Kashgan Gorge Alignment (vide paragraph 40).

I will now turn to another alignment, up the gorge of the Kashgan River from its entrance to the Jaidar Plain at Pul-i-Kurr o Dukhtar to its exit from the Khoremabad Plain at Tang-i-Tir about 40 miles north.

I had contemplated traversing this gorge or valley from end to end; unfortunately, however, owing to the unprecedented snow of this year, and a late season, the river was in full flood and quite unfordable. As the track up the valley crosses the river thirty or forty times it was impossible for me to get up the gorge, and I had to content myself by seeing what I could of it at intervals.

The river winds amongst steep hills, generally ending in cliffs abutting on the bed; a big bend occurs about every 2 miles, when the river will be running on one bank or the other up against a cliff; it is then necessary to cross to the other bank which is usually flat terrace; there is no clear view of the valley for more than three or four miles, and at several points the cliffs on both sides run down to the water, leaving only a difficult mule track which is covered when the river is in flood. At such points heavy rock cutting, revetting, and tunnelling will be necessary. The river must be constantly crossed, involving numerous bridges. The average breadth of the river when it is not spread over the gravels, or divided into several branches, is about 200 feet: 300 feet would have to be provided as a rule, from abutment to abutment to provide for flood water. The river is liable to heavy floods, a rise of 15 feet being not unknown; the bed uniformly gravelly; no reefs or falls as far as I know. The valley is narrow, but there is always a fairly wide stretch of river terraces on one bank or the other.

Difficult as the construction of a railway up such a valley would be, the alignment is a not unattractive one. It would be possible to have an almost even slope from the Saidmarreh to Khoremabad, and the ruling gradient would probably not exceed 1 in

100 at any point. Steel trestle bridges of stock size might be used to cross the stream, and would, if I may presume to offer an opinion on such a technical point, be well suited to the country and conditions of labour and construction.

47. To estimate the cost of this gorge line, the length of which, from Tang-i-Tir to Pul-i-Kurr o Dukhtar, may be taken at 40 miles, is of course quite beyond me, even had I been able to traverse it from end to end. I am assured, however, on the authority of the Sardar Akram and others, the general accuracy of whose statements I have been able to check, that a mule track exists right up the gorge, and that at no point does it contract to such an extent as to form an impassable canyon.

Allowing 3 lakhs a-mile for the line, including bridges, and 25 lakhs for special tunnelling (which would seem, all things considered, to be a liberal allowance) for the northern and southern ends of this valley, which I have traversed, and the centre, which I have seen from a short distance, offer no formidable obstacles to railway construction, we obtain a total of 180 lakhs. The total cost of this alignment would thus be as follows:—

	Rupees.
Sections 1 to 5, 84 miles at 65,000 rupees	1,23,65,000
Kashgan gorge, 40 miles	1,45,00,000
Tang-i-Tir Khoremabad, 16 miles	12,00,000
Grand total for 120 miles	2,80,65,000
(= 1,871,000L, or 15,600L a-mile.)	

48. The difference between the cost of this alignment and that via Madian is 171,000L, according to this estimate, which is a mere guess; the saving of length is no less than 65 miles, about one quarter of the distance between Dizful and Burujird; the absence of steep gradients is an added advantage.

Had I seen any chance of being able to examine this valley more closely, I would have waited for another month or two in order to do so, but the Sardar Akram, who alone could arrange for my safe conduct along this line, left for the Kermanshah district to revenge the murder of a friend of his, by plundering the guilty tribe, and simultaneously hostilities commenced between the Bairanwand and the Governor-General, making any further stay in the neighbourhood out of the question.

I think it not improbable that this alignment may turn out very little more, perhaps less, expensive than that via Kuh-i-Dasht, and I would recommend that any engineer expert who may subsequently be deputed to prepare authoritative estimates and effect a regular and detailed survey of an alignment should first examine the Kashgan gorge; in order to do so, he must make his survey between June and November (the floods this year being quite abnormal), and must arrange with the Sardar Akram (whose head-quarters are at Tarhan), to provide the necessary escort which he will, no doubt, gladly do. In any case the saving in length by this route may be considered to justify some extra expenditure.

PART IV.—POSSIBLE EXTENSIONS OF ALIGNMENT FROM KHOREMABAD NORTHWARDS.

49. Possible Prolongation of Line from Khoremabad onwards.

The easiest prolongation would undoubtedly be towards Kermanshah, distant rather more than 100 miles; the country traversed is well fitted for a railway alignment which would run parallel to the mountain ranges which run in a north-north-west direction throughout Luristan. But such prolongation would be of little use towards developing British trade in Central Persia, and I assume that the prolongation contemplated is to Burujird and thence to Tehran via Hamadan or via Sultanabad and Kum.

The boundary between the Russian sphere of influence and the neutral zone in this region is "a line starting from Kasr-i-Shirin, passing through Ispahan. . . ." Kermanshah and Burujird are thus included in the region in which Great Britain engaged not to seek concessions "for railways, land, telegraphs, road, transport, insurance, &c.," though all concessions which existed in the region in question on the 31st August, 1907, are maintained.

The boundary line is roughly equidistant between Khomeinabad and Burujird. A prolongation by rail or motor beyond Khomeinabad would presumably be possible only with the consent of the Russian Government, who, it has been suggested, are likely eventually to view the project with hostility. Without such a prolongation, at all events as far as Burujird, the utility of the line would be greatly impaired, and the volume of exports in particular would be of quite insignificant proportions.

Khomeinabad is a very bad distributing centre; the local market is negligible; the surrounding country disturbed; traffic on the main road to Burujird greatly impeded by snow in winter; and I feel convinced that any attempt to make the town into a railway terminus will be predoomed to failure, and trade will stick to the route via Bagdad, in which town are many wholesale dealers from whom small buyers can order direct.

The only practical alignment between Khomeinabad and Burujird is that via Zagheh, which I will now proceed to describe in detail.

50. First Section: Khomeinabad to Foot of Zagheh Pass (6,300 feet), 21 miles.

A steady climb along a stream which runs from the foot of the Zagheh pass all the way to Khomeinabad. A gradient of 1 in 50 is the best that can be obtained, and it is possible that at one or two points 1 in 40 may be necessary for short distances. There is little heavy blasting, but for the first 10 miles there will be about 3 miles of blasting on the side of the hills, which are composed of limestone strata, covered in places by alluvial gravels and clay. The passage of the Tang-i-Zaideh Shir will involve some heavy cutting or embanking in order to reduce the gradient, so also will the ascent from the Tajareh to the Deh Safid plain. The Darreh Daraz valley once entered, the gradient becomes easier, and the line will be cheaper to construct; it would no doubt skirt the north side of the valley, rising steadily as far as is compatible with the maintenance of the ruling gradient. I estimate the cost at $1\frac{1}{2}$ lakhs a mile = $3\frac{1}{2}$ lakhs.

51. Zagheh Tunnel.

The Zagheh pass (7,200 feet) now confronts us; apart from the practical difficulty of carrying a railway up its steep rocky slopes and over its narrow crest, such a course would involve a long detour. There is no way of circumventing the range, and I think there is no doubt but that it must be tunnelled; from 5,600 feet on the south-western to 6,500 feet on the northern side is, as nearly as I can judge, $1\frac{1}{2}$ miles through limestone rock; water is plentiful. I have no means of estimating the cost with any approach to accuracy, but for the purposes of this report it may be put down at 50 lakhs.

52. Second Section: Across the Hu-Rud Valley from near Zagheh (6,500 feet), to above Rang-i-Razan (6,800 feet), 15 miles.

From Zagheh the alignment winds down the valley of the Zagheh stream till it can turn north-east and skirt the south side of the Rud valley, crossing the stream at about 6,000 feet. It would then turn north-west and approach Rang-i-Razan village, 6,580 feet, then circle round the village and skirt the slopes of Ruh Chavireh Shah in a west-south-westerly direction, rising steadily to about 6,800 feet, when the hill narrows sufficiently to make a tunnel, in all probability, economical. There is no break in the Chavireh Shah range, which the Zagheh-Razan road crosses at 7,200 feet, and the descent on the northern side to the Silakhor plain will be much more difficult from 7,200 feet than from 6,700 feet, the height at which I propose the northern exit of the tunnel should be fixed.

I estimate this section to be 15 miles long, costing $1\frac{1}{2}$ lakhs a mile = 18 $\frac{1}{2}$ lakhs.

53. Razan Tunnel.

I estimate this to be 2,000 yards long; formation limestone rock; water plentiful. It might enter the hill on the south side at 6,800 feet, and emerge at 6,700 feet into the Razan valley. Cost may be put down at 30 lakhs. I see no way of dispensing with it; the pass cannot be avoided, and if the railway be carried over it to 7,200 feet, the drop of 1,500 feet to the Silakhor valley will be prohibitively steep.

54. Third Section: Razan (6,700 feet), Head of Tunnel to Silakhor Plain (5,700 feet), 10 miles.

If the mouth on the Razan side be fixed at 6,700 feet, the drop will be 1,000 feet. The actual distance between the mouth of the tunnel and the foot of the hills being less than 5 miles.

The sides of the Razan valley are, on the whole, of a conformation favourable to the construction of a railway along them, but whether the east or west side of the valley should be selected, is a point which can be settled after a careful survey.

My impression is that it will be best to take the line into the Azizabad valley, and thence skirt the hills bounding the Silakhor plain to the west, descending steadily on a gradient of 1 in 50 till the plain is reached at approximately 5,700 feet.

This section will call for most careful surveys, and a high degree of engineering skill. Blasting will be necessary almost all the way, and numerous bridges across ravines will be called for in addition to many culverts. I think 3 lakhs a mile would be fair estimate of cost, giving a total for this section of 30 lakhs.

55. Fourth Section: Up Silakhor Valley from near Chulan Chalan to Burujird (5,700 to 5,900 feet), 20 miles.

It will probably be found convenient to follow the main road crossing the river near Chulan Chalan, and keep to the eastern side of the valley. The river bed is about 100 yards wide; breadth of stream nominally 40 yards; depth in summer and autumn $3\frac{1}{2}$ to $\frac{1}{2}$ feet; unfordable in spring; pebbly bottom. Plain is fairly level, and not irrigated from river, but by canals or "kanats" from hill side; many villages scattered over the plain, nearly all (in 1911) deserted owing to the depredation of Lur tribesmen.

There would be a certain amount of embanking and a little cutting necessary if the line keeps to the eastern side of the valley, and it would be well to allow $\frac{3}{4}$ lakhs a mile for this section, in addition to which we must allow a lakh for the bridge. Total 16 lakhs.

56. Abstract: Khomeinabad to Burujird.

	Miles.	Rupees.
Section 1	21	31,50,000
Zagheh Tunnel	$1\frac{1}{2}$	50,00,000
Section 2	15	18,75,000
Razan Tunnel	1	30,00,000
Section 3	10	30,00,000
Section 4	20	16,00,000
Total	88 $\frac{1}{2}$	1,76,25,000

(= 1,175,000*l.*, or about 13,450*l.* a-mile.)

The cost of this section per mile is thus very nearly double that of the Moham-merah-Khomeinabad section.

57. I was prevented both by my instructions and by the fact that hostilities between the Governor-General and the Bairanwand tribe were in active progress, from making a survey of the country traversed by this section; but this does not, I think, affect my conclusions in any way, as we are fortunately in possession of a careful survey of this particular portion of Luristan, made in 1889 by Yusuf Sharif under the superintendence of Major Sawyer, I.A. My observations have tended to substantiate its accuracy and general reliability.

58. Burujird occupies strategically and commercially a very important position at the head of a wide fertile valley, on the edge of the central Persian plateau. From its gates good roads, easily adaptable to wheels or rails, diverge in every direction, tapping the fertile districts of Silakhor Bala, Nihawand, Malayir, Kazzaz, and Irak.

From Burujird to—	Miles Approximately.
Kangavar	70
Kermanshah	126
Hamadan	70
Tehran	270
Ispahan	210
Kum	160
Kasvin	150
Enzeli	288

59. A Burujird-Kangavar railway could be constructed at an average cost of about 5,000*l.* a-mile for 80 miles, say 800,000*l.*; it would connect with the Bagdad-Kermanshah-Hamadan-Tehran line. The ruling gradient would be about 1 in 150. It would pass for the whole of its length through thickly populated highly cultivated country,* and would be a most efficient feeder line. A cart-road with a ruling gradient of 1 in 25 could be built along the same alignment for about 3,000*l.*, the principal expense being caravanserai (six), bridges, and culverts.

60. Potentialities of the Burujird District.

Minerals.—I obtained information regarding several mines reported to exist near Burujird. Gold was said to be found in one mine, and I was given a sample of the same,† which I believe, however, to be simply micaceous sand. Lead ore was said to be found in remunerative quantities, 5 farsakhs distant, the ore yields 25 per cent. of metal; the sample I was shown seemed of very good quality.‡ I was told at Nihawand that a European mining expert had said that the hills of this town contained good grade copper ore, but I had no opportunity of confirming this. I was told of a place west of Burujird, called Fial, where good quality coal-beds were exposed; the sample shown me was bituminous; it burnt well, but has, I should say, no commercial value.

I was told that petroleum oil was found in the locality, and had been collected and burnt in lamps.

Geologically, the distinguishing feature of the country immediately north and north-west of Burujird is that the limestone formation gives place to much contorted finely laminated shales, extensively mixed with veins of intrusive rocks; the formation would thus seem to be very favourable to the existence of metalliferous ores.

At Khoremad I was shown specimen of bituminous coal from the Papi country east of that town, of iron pyrites from the same locality, and of copper sulphate (zak or zag), but these minerals occur apparently in small quantities only on the surface, and only the last-named (which is used for dyeing) is worked at all.

Agricultural Produce.—Cereals: Mainly consumed locally, or exported to other parts of Persia.

Opium: Mainly consumed in Persia; some 30,000*l.* exported.

Gums, dried fruits (raisins, &c.): Steady export to Russia, which would be diverted to south by railway.

Cotton, wool: Steady export to Russia, which would be diverted to south by railway.

PART V.—Possible Alignment for a Cart-road from Dizful to Burujird.

61. I have in the previous pages suggested the possibility of a cart-road between Dizful and Burujird being preferable to a railway. For such a cart-road the Persian Transport Company holds a concession, which will expire in May 1913, unless the road is opened before that date. The one formidable obstacle which prevents it being built at once is the prevailing anarchy in Luristan; the Amir Mufakham has, however, made a determined effort to open the road, I have little doubt that the fact of the road, being in existence, and the pressure that we could exert on the Persian Government to keep it open, would ensure eventual success. I have submitted a separate report on this subject, and will confine myself here to state briefly the alignment which I propose.

62. From Dizful to Jaidar the road would follow the general alignment proposed for the railway, caravanserai being erected at the marginally noted spots.‡ From the Jaidar Plain through the Tang-i-Khirsad across the Kashgan to Pul, Maidan Rud, this is the main ascent of the route, and the most expensive section, as the Kashgan must be bridged, and an entrance to the gorge blasted. I went over this route and found it well suited for a cart track, the gradients being generally moderate (1 in 25), and the expense of grading the steep portions small. From Madian Rud to Khoremad via Chinari, Bardaghul, Dureh, and Naikash; this section was considered by Major Burton to be fit in its present condition for wheeled artillery, and it could certainly be converted into a cart-road at moderate expense. Caravanserai necessary

* Silakhor Bala, Nihavand, and Kermanshah district.

† Deposited in the Bushire residency.

‡ Kal'eh Husainieh, Kal'eh Riza, Jaozar, Ab-i-Fani, Jaidar.

at Ali Gijan, Madian Rud Chinari, Bardaghul, Dureh, and Changai would again have to be rebridged near Dureh and the Khoremad river below the town. From Khoremad to Burujird via Zagheh and Razan is always practicable for wheels, and little expense would be incurred except on the section between Razan and the Silakhor valley.

This route is about 220 miles long, and I have divided it into thirteen stages; it is said to have been used in past times by Persian artillery; it was traversed by De Bode 1835 and Schindler 1889, and was undoubtedly a main artery of trade in Sassanian times, witness the great bridge of Pul-i-Kurr o Dukhtar in the Tang-i-Khirsad.

I am satisfied it is the shortest practicable cart-road. The experience of the road company in South Persia is, I believe, that it does not pay to carry merchandise in carts as a rule, pack animals being cheaper. It is possible therefore that a 183 miles pack mule road from Dizful to Burujird in the Kiyalan would be of greater assistance to our trade than a 217 mile cart track, which involves greater expense and a larger staff along the road; but it may be held also that under the concession the construction of a cart-road is obligatory, the phrase "route chaussée" being used in the title, though nowhere else, according to the English translation in my possession.

It should also be borne in mind that where ordinary carts might not pay, motor traffic would perhaps do so; the employment of a Renard train has recently been advocated on the Bundar Abbas-Kerman road for instance.

Further that the transport company has hitherto found itself quite unable to arrange for a sufficient supply of mules on the road in which they are interested; a mule road, unless well organised, would not serve the purpose of distributing British goods into the present Russian zone, which is served by a well-organised cart-road from Rasht to Hamadan.

List of Photographs.

(From De Morgan's "Mission scientifique en Perse: Études géographiques," vol. ii.)

[The breakdown of the panorama camera which I carried unfortunately prevented my taking any views myself.]

No.	Description.
1	Saidmarreh Valley, view taken west of Jaidar.
2	Kabir Kuh from the Saidmarreh Valley.
3	Pul-i-Tang, across Saidmarreh River.
4	Kuh-i-Dasht plain.
5	Kuh-i-Taf or Chinari.
6	Sarab-i-Naikash, west of Khoremad, looking north.
7	Kashgan Valley.
8	Kashgan bridge.
9	Yafteh Kuh.
10	Khoremad.
11	Khoremad.
12	Burujird.

[32812]

No. 67.

Sir G. Louther to Sir Edward Grey.—(Received August 21.)

(No. 565. Confidential.)

Sir,

Therapia, August 10, 1911.

WITH reference to my despatch No. 551, Confidential, of the 2nd instant, I have the honour to report that M. Bompard yesterday again referred to my observation that a French firm had entered into competition with Messrs. Jackson and Messrs. Pearson as regards Mesopotamian irrigation schemes, and his Excellency said that enquiries which he had made had convinced him that all that the "Société des Batignolles" had done was to ask at the Ministry of Finance for the "cahier des charges" and make some observations on it.

It may be quite true that the French Embassy has not given the French company any support, but the letter addressed by the latter to the Ministry of Public Works, copy of which is enclosed herewith, indicates very clearly that it went further than M. Bompard states.

M. Cugnin, the person named in the letter, was in the employ of the Civil List in 1906, and was engaged in works round about Hilleh, on the Euphrates. In 1907 he was taken on by the Ministry of Public Works, and was employed in drawing up plans and a scheme for the new Hindieh barrage. His plans were accepted, and the work was estimated to cost about 180,000*l*.

Tenders were asked for, and Messrs. Pearson were induced to look into the matter, and sent an engineer out.

On the engagement of Sir W. Willcocks these plans were set aside, but M. Cugnin was employed by Sir W. Willcocks, and was put in charge of the repairs to the Hindieh barrage. After the repairs had been made, a portion of the older structure of the barrage gave way, and it was said at the time that the accident was due to Sir W. Willcocks's instructions not being carried out. M. Cugnin has probably entered the service of the company with a view to getting his original scheme, which was set aside by Sir W. Willcocks, adopted by the Turkish Government.

I have, &c.

GERARD LOWTHER.

Enclosure in No. 67.

"Société des Batignolles" to Ottoman Minister of Public Works.

Excellence,

Paris, le 10 juin, 1911.

NOTRE société, qui s'intéresse à toutes sortes de grandes entreprises de travaux publics, a étudié tout récemment le dossier préparé par les soins du Gouvernement ottoman pour l'exécution du barrage d'Hindieh.

Grâce aux renseignements recueillis et aux études faites sur place pendant plusieurs années par M. Cugnin, ingénieur de notre société, nous avons pu nous rendre un compte très exact du problème qu'il s'agit de résoudre.

Grâce aux impressions apportées par M. Cugnin de son séjour en Mésopotamie, aux sondages qu'il a exécutés, notre service technique est arrivé à se convaincre que le projet officiel donne lieu à de sérieuses critiques et est exposé à de graves et coûteux mécomptes. Tel qu'il est conçu, le projet officiel consiste à exécuter à sec, sur la rive gauche du fleuve, et en amont du barrage actuel, dont la précarité et le délabrement n'est ignoré de personne, le futur barrage, puis, par des travaux de terrassements très importants, qui ne donneront lieu à des mouvements de terre considérables, à détourner le fleuve en faisant suivre à ses eaux une double sinuosité très accentuée, et à boucher par une digue, qui devra être extrêmement résistante et étanche, l'ancien lit du fleuve.

Il semble que l'auteur du projet ait voulu fermer volontairement les yeux sur la possibilité d'exécuter le barrage dans le lit même du fleuve et, par parti pris, d'éviter tout travail à l'air comprimé, ait cherché une solution compliquée, coûteuse, et ne donnant pas, pour l'avenir, une sécurité absolue.

Il n'est pas démontré, en effet, que l'exécution en terre ferme des piles et des radiers du barrage prévu ne donneront pas lieu à des infiltrations et à des épuisements considérables et qu'on ne sera pas obligé de revenir en cours d'exécution aux procédés par l'air comprimé. On se demande, si cette éventualité se présente, à quoi aura servi de détourner le fleuve, de modifier son cours et son régime, et de faire, à grands frais, les terrassements considérables qui résultent forcément du choix de l'emplacement du nouveau barrage, alors qu'il est plus simple d'exécuter de suite, par l'air comprimé, les piles et les radiers dans le lit même du fleuve, sans risquer de modifier son régime et sans avoir à déplacer cette énorme masse de terre.

L'exécution de la digue destinée à fermer l'ancien lit du fleuve donnera toujours lieu à de gros aléas, car, quelque soit le soin avec lequel on l'exécutera, il paraît bien difficile d'éviter des infiltrations, des fuites, des coupures de la digue.

La coupure qui s'est produite récemment dans le barrage actuel, où des masses considérables de maçonnerie ont été disloquées et rompues, et où les eaux se sont percé un chemin donnant lieu à des affouillements de près de 20 mètres de profondeur, justifient nos craintes d'une façon inquiétante.

Nous ne citons que pour mémoire le grave inconvénient pour la navigation

d'établir les écluses, l'une sur la rive gauche au futur barrage, l'autre sur la rive droite du barrage actuel. Cette disposition obligera les bateaux à couper diagonalement le courant du fleuve à un endroit où il forme une sorte de rapide, et où la moindre erreur de manœuvre amènera les embarcations à être entraînées par le courant et brisées dans les tourbillons du barrage actuel. Enfin, le projet prévoit que le niveau d'eau en amont du nouveau barrage sera de 32.50 mètres, et en aval de celui-ci de 27.50 mètres, et en aval du barrage actuel de 26 mètres. Cela correspond à admettre que la retenue d'eau réellement produite par le barrage actuel est de 1.50 mètres. Or, l'état précaire, pour ne pas dire plus, du barrage actuel, les coupures qui s'y sont produites, les affouillements incessants que chaque crue y provoque, prouvent qu'il est impossible de compter sur le barrage actuel pour produire une retenue efficace de quelque importance; mais alors les niveaux prévus pour le seuil du nouveau barrage sont trop élevés, les vannes insuffisantes.

Dans ces conditions, il ne paraît pas possible à un constructeur sérieux d'assumer la responsabilité de l'exécution d'un semblable travail, et nous croyons par devoir adresser à votre Excellence des offres à cet sujet.

Toutefois, désireux de prouver au Gouvernement ottoman notre désir de lui être agréables et de nous intéresser aux grandes entreprises dans l'Empire, nous avons étudié pour le barrage de Hindieh un autre projet, dont nous vous demandons la permission de vous exposer les grandes lignes.

Notre projet consiste (voir dessins Nos. 1 et 2*) à exécuter dans le lit même du fleuve, soit par l'air comprimé, soit par épuisement pour certaines parties du travail, les piles et les radiers intermédiaires. Ceux-ci seront établis à un niveau, tel que, si le barrage actuel venait à manquer complètement, le nouveau barrage ait les dimensions et la puissance nécessaires pour produire à lui seul la retenue demandée. Les radiers seraient établis de manière que les maçonneries soient efficacement protégées contre les érosions provoquées par la chute des eaux passant par-dessus les vannes de retenue, et à éviter les avaries et affouillements qui se sont produits dans certains barrages du Nil. Les piles seraient réunies entre elles par deux passerelles, l'une métallique, servant à manœuvrer les vannes, l'autre servant à contreventer les piles entre elles et pouvant servir de passage d'une rive à l'autre du fleuve.

Pour la navigation, afin d'éviter les dangers et les inconvénients que nous signalons, nous prévoyons sur la rive droite l'exécution d'un canal latéral au fleuve, allant depuis l'amont de la rive droite du barrage projeté jusqu'à l'aval du barrage actuel. Le canal serait muni à l'amont de portes de retenue, permettant d'effectuer le curage du canal, et à l'aval d'une double écluse pour franchir la différence de niveau entre les deux biefs.

En ce qui concerne le barrage de la branche Hillé, nous n'avons aucune observation à formuler.

Voici en quelques mots les grandes lignes de notre projet; il serait, nous en sommes convaincus, sensiblement moins coûteux que le projet officiel, et offrirait des avantages considérables au point de vue de la simplicité, de la sécurité et de commodité. Si l'adjudication du 24 juin ne donne pas de résultats, ou si le projet que nous avons exposé, et dont nous déclarons nous réserver la propriété, vous paraît de nature à intéresser le Gouvernement ottoman, nous sommes à votre disposition pour compléter nos études et chercher la combinaison financière qui en permettrait la réalisation.

Veillez, &c.

Le Président du Conseil d'Administration,

[32838]

No. 68.

Sir E. Goschen to Sir Edward Grey.—(Received August 21.)

(No. 229.)

Sir,

Berlin, August 16, 1911.

I HAVE the honour to report that the following statement appeared in the "Vossische Zeitung" of the 14th instant, in regard to the Bagdad Railway:—

"According to recent information from Constantinople, negotiations are now in progress between England and the Porte relative to the Gulf portion of the Bagdad

* Not reproduced.

[1510]

X

Railway. Although no objection can be raised to such negotiations, at the same time no settlement of the question can be reached merely by means of an Anglo-Turkish agreement. The Bagdad Railway is not an Anglo-Turkish undertaking. The matter can only be definitely settled if the British proposals, which form the basis of the negotiations, are found acceptable by the German parties interested in the Bagdad Railway. It is well known that the consent of Germany to the 4 per cent. increase of the Turkish customs has not yet been granted."

The "Vossische Zeitung" is controlled by a group of financiers with which Herr Gwinner, president of the Deutsche Bank, is connected, and it is accordingly presumed that it represents the views of the Bagdad Railway Company.

The "Kölnische Zeitung," which is frequently the channel for semi-official announcements, to-day quotes an article from the "Westminster Gazette," in which it was stated, in reply to the "Vossische Zeitung," that England did not claim to be able to settle the question of the last portion of the Bagdad Railway by negotiations with Turkey alone, and that all that England could hope was that when she had found a scheme acceptable to Turkey, such scheme would not be unacceptable to Germany. An editorial comment on this article expresses complete agreement with this view, and states that should Turkey and England come to an agreement which is acceptable to Germany there would be no reason why the latter should not associate herself with it, on condition, naturally, that German interests were safeguarded in a satisfactory manner.

I have, &c.
W. E. GOSCHEN.

[32759]

No. 69.

Foreign Office to India Office.

Sir,

Foreign Office, August 21, 1911.

I AM directed by Secretary Sir Edward Grey to acknowledge the receipt of your letter of the 17th instant relative to the terms of the contract which the Persian Railways Syndicate propose to present to the Persian Government in connection with the concession for which they are about to apply for the construction of railways in Persia, in which it is suggested that the syndicate should be asked to put forward in the first instance the latter of the two alternative bases of agreement detailed in their communication of the 11th instant.

With reference to this point I am to transmit to you herewith copies of a letter from the Board of Trade,* who were also consulted on the subject, suggesting a means by which, in their view, the objection to the former alternative which was urged in the letter from this Office of the 15th instant would be removed, and of a telegram from His Majesty's Minister at Tehran,† giving reasons for preferring the alternative.

I am to state that Sir E. Grey is disposed to agree with the Board that their suggestion obviates the disadvantages which would otherwise attach to this course, and to recognise the advantage of adopting it pointed out by Sir G. Barclay, and that he would suggest, if the Marquess of Crewe shares this view, that the syndicate should be informed accordingly.

I am to add that, from the point of view of the syndicate, this procedure would have the further advantage of absolving them from the necessity of redrafting the contract.

I am to request the favour of an early reply to this letter.

I am, &c.
LOUIS MALLET.

* No. 63.

† Sir G. Barclay, No. 341, Telegraphic.

[33173]

No. 70 A.

*Enclosure in India Office Letter.—(Received August 22.)**The Marquess of Crewe to Government of India.*

(Telegraphic.) P.

India Office, August 12, 1911.

SEE your telegram dated the 27th June last.

Please let me have as soon as possible estimates as to gas buoy and light vessel in Persian Gulf. Admiralty express themselves in favour of both; see their letter of 4th instant forwarded with letter of the 11th instant from Secretary, Political Department, India Office. With a view to avoidance of international difficulties, Admiralty consider that inner bar buoy, laying of which was reported to you by Admiral Slade in his letter of the 19th May, and not the Turkish buoy opposite, should be replaced by gas buoy. Presumably this was the intention of your Excellency.

[33121]

No. 70 B.

*Enclosure in India Office Letter.—(Received August 22.)**The Marquis of Crewe to Government of India.*

(Telegraphic.) P.

India Office, August 17, 1911.

REQUEST has been made by Turkish Government that our agreements with Trucial chiefs, Bahrein and Koweit, should be shown to them. Sheikh should apparently be consulted as regards the last-named place. It seems difficult, however, in view of what is stated in memorandum of the 29th ultimo, to give only extracts or to refuse altogether, though it is considered doubtful by the Foreign Office if the part of the agreement of 1907, which provides for annual payment on account of lease of land, should be divulged. Please let me have your views. Presumably agreements should include letter dated the 23rd January, 1899, from Colonel Meade. As regards Trucial and Bahrein treaties I propose that Nos. 32 and 46 in Aitchison should be omitted. Reply is requested as quickly as possible by telegraph.

[1510]

X*

[32467]

No. 70.

Foreign Office to Mr. Baker.

Sir,

Foreign Office, August 21, 1911.

I AM directed by Secretary Sir Edward Grey to acknowledge the receipt of your letter of the 16th instant, relative to a scheme of railway construction in Persia.

I am to inform you in reply that, in view of the fact that a portion of the line which you propose to build lies within the part of Persia defined as the Russian sphere of interest under the terms of the Anglo-Russian agreement of 1907, His Majesty's Government could not in any way countenance your proposal without the approval of the Russian Government. Should that approval be obtained, His Majesty's Government would observe a neutral attitude between different British groups desirous of constructing railways in Persia.

I am to add that a powerful British syndicate has already been formed for the construction of such lines, and that, according to the information in Sir E. Grey's possession, their offers are receiving sympathetic consideration from the Persian Government.

I am, &c.

LOUIS MALLET.

[33302]

No. 71.

Sir E. Goschen to Sir Edward Grey.—(Received August 24.)

(No. 233.)

Sir,

Berlin, August 21, 1911.

THE "Frankfurter Zeitung" of yesterday's date comments at some length on the Russo-German agreement in regard to Persia which was signed at St. Petersburg on the 19th instant. Its observations are contained in a telegram dated from Berlin which has the appearance of being a semi-official communiqué.

The agreement, it says, is the first fruit of the Potsdam interview, the general tendency of which was summed up by the Imperial Chancellor on the 10th December last, when he said that the two Governments were agreed that neither of them would enter into any combination which might have an aggressive aim against the other. An opportunity was sought to put the theory into practice, and the opportunity was found in the settlement of a narrowly circumscribed portion of the Near Eastern question which, as must be said at once, does not touch the sovereignty of Turkey, contrary to the apprehensions so loudly expressed in the Turkish press.

After commenting on the concessions granted by Germany and by Russia respectively, the telegram goes on to speak of the political significance of the agreement. The French press, it says, regards it as something like a breach of faith, or, at least, as an unkindly act, on the part of its ally that the agreement should have been signed and published at a moment when France was negotiating with Germany in regard to Morocco. Franco must, however, now make the best of the agreement, but if she be wise she will only draw therefrom the one conclusion that Russia will not allow herself to be prevented by alliances and *ententes* from safeguarding her own interests. French interests would best be served if, instead of turning as though hypnotised towards St. Petersburg and London whenever Germany makes any move in the sphere of foreign politics, France were to endeavour to come to a direct understanding. The Morocco question offers an opportunity. France needs only to free herself from the illusion that Germany seeks to humiliate her—of that there can be no question. As even the German chauvinists are beginning to perceive, the German Government aims at a loyal solution of the Morocco question by which both parties shall get their rights.

The "Vossische Zeitung" considers the importance of the agreement as a political event to lie in the fact of its signature at the present moment, when it must be regarded with dislike by public opinion in France, and perhaps still more in England. The agreement, it says, implies that an end has been put to the policy aimed at the isolation of Germany, of which M. Isvolsky was the willing instrument if not the soul. The article also quotes Herr von Bethmann-Hollweg's statement in regard to the intention of Russia and Germany to join no combination directed against the other. It goes on to say that, although the agreement is ostensibly of a purely technical

character, its political importance cannot be overlooked, and it quotes the saying of Bismarck that, whilst it is to the interest of England that Germany should be on bad terms with Russia, it is to the interest of Germany to be on as good terms with her as may be possible. The impression derived from the convention, it states in conclusion, is that German diplomacy has in this instance acted with cleverness and success. It adds the hope that it may prove to be a good omen for the present negotiations with France.

The "Hamburger Nachrichten," after explaining the various advantages derived by Germany from the agreement, goes on to say that it represents for England as for France the grave of many hopes based upon the alleged opposition between Germany and Russia in Asia Minor. It is especially noteworthy, it says, that the present Franco-German negotiations in regard to Morocco have not prevented the conclusion of this agreement.

The "Berliner Boersen Courier" prints a statement to the effect that, in connection with the signature of the agreement, it learns from a reliable source, though it quotes the report with every reserve, that Russia has promised Germany that she will take no part in any conflict in regard to Moroccan affairs.

The "Berliner Tageblatt" considers it highly satisfactory that the conclusion and publication of the agreement should not have been longer delayed, not because the position of Germany towards Russia's ally is thereby strengthened, but because the suspicion is removed that the Russo-German negotiations could be employed by the Triple Entente as a means of bringing pressure to bear on Germany in the Morocco question.

I have, &c
W. E. GOSCHEN.

[33584]

No. 72.

Sir F. Cartwright to Sir Edward Grey.—(Received August 26.)

(No. 143.)
Sir,

Vienna, August 24, 1911.

I HAVE the honour to report that the conclusion of the Russo-German agreement has been received with great interest by the Viennese press, which is unanimous in its satisfaction at this event.

The "Neues Wiener Tagblatt" characterises the agreement as of great practical importance to Germany and also of international significance. Russia has now gained Germany's approval of all the advantages which the former obtained in Persia by the Anglo-Russian agreement of 1907, when Germany's opinion was not asked. The most interesting point of the agreement, considers the "Tagblatt," is the promise made by Russia not to impede the Bagdad Railway by any measures directed against the participation of foreign capital. This is a clear departure from the English point of view, and sounds almost like a premature echo of the present Franco-German negotiations, France being the only Power from which participation in the Bagdad Railway can be expected. The real equivalent which Germany has received for her renunciation of railway competition in Northern Persia is, says this paper, the abandonment by Russia of her rights under the 1902 treaty with Turkey, by which she received the exclusive right to build railways in Asia Minor beyond the Black Sea. This, according to the "Tagblatt," is proved by the fact that the new agreement coincides with the concession to Germany of the right of the Anatolian Railway to extend its system.

The "Neue Freie Presse" remarks with satisfaction that Russia's policy has not changed since last year. Though in no way detached from the Triple Entente, she will not countenance any dangerous or aggressive policy, and her principal aim is the maintenance of peace. The latest phase of the Morocco question has caused no change in her attitude, although England and France would have preferred that the agreement should have been signed after the Morocco question had been settled and not before. The "Neue Freie Presse" observes that the prelude regarding the integrity of Persia, which preceded the Anglo-Russian agreement, has been left out in the Russo-German agreement. It is, says this paper, quite clear that England has no objection to any active measures in Persia on the part of Russia, who openly favoured the return of the ex-Shah. Russia's attitude in regard to the Bagdad Railway has, it declares, influenced England, who has changed her point of view and has started negotiations with Turkey on the subject of the last section of the line. In the opinion of the "Neue Freie

[33518]

No. 71^e.

Enclosure in India Office Letter.—(Received August 25.)

Government of India to the Marquis of Crewe.

(Telegraphic.) P.

August 21, 1911.

PERSIAN Gulf buoying and lighting. See your telegram dated the 11th instant.

It is impossible, I regret to say, to furnish detailed estimates, or preliminary estimates of greater accuracy than those of Mr. Hood, who studied the matter locally, for light vessel, gas buoy, or any other items of the scheme.

There is no vessel at our disposal available for conversion into tender for light-houses. Please refer to our telegram dated the 27th April, 1911. Arrangements might possibly be made, though this cannot be relied on, for steam-ship "Patrick Stewart," belonging to Indo-European Telegraph Department, on one combined monthly tour, to act as tender besides performing her usual work. A single tour of the lighthouses would, it is estimated, occupy fifteen days, and daily cost of hiring the "Patrick Stewart" would be 626 rs. 8 a.

As regards gas buoy, reply to your query is an affirmative one.

[1510]

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Presse" the international significance of the agreement lies in the increased friendliness between Germany and Russia, which means less antagonism between the two groups of Powers, and must, therefore, contribute to the general peace of Europe.

The "Wiener Allgemeine Zeitung" compares the Persian to the Morocco question, and draws a parallel between the German concessions on the Lake of Urmia and the Mannesmann concessions in Morocco. It expresses the hope that agreement on the one question will lead to a solution of the other. It also states its opinion, in which it is joined by the "Tagblatt," that the conclusion of the Russo-German agreement facilitates a similar agreement between England and Germany, by which an end would be put to the whole Persian question.

I have, &c.

FAIRFAX L. CARTWRIGHT.

[33565]

No. 73.

India Office to Foreign Office.—(Received August 26.)

Sir,

India Office, August 25, 1911.

IN reply to your letter of the 21st instant regarding the terms of the contract which the Persian Railways Syndicate propose to offer to the Persian Government, I am directed by the Secretary of State for India to say that he concurs with Secretary Sir E. Grey as to the advantage of the course suggested by the Board of Trade as to the redemption of the State bonds.

I am, &c.

R. RITCHIE.

[33713]

No. 74.

Sir G. Louther to Sir Edward Grey.—(Received August 28.)

(No. 583.)

Sir,

Constantinople, August 18, 1911.

THE Grand Vizier spoke to me yesterday on the subject of the reply of His Majesty's Government to the proposals regarding the Bagdad Railway and the Persian Gulf questions, which reply was communicated to the Turkish Ambassador in London on the 29th July. His Highness, while stating that there were many points which would require very careful examination which he had not yet had time to give to them, said that on one or two of these he was prepared to offer some observations. He did not understand why Russia "had been dragged in" to participate in the new company which it was proposed to form. Russia did not as a rule furnish capital for railway enterprise, and he saw no necessity for her having a share in the new company. I observed that she had a commercial interest through the Persian trade, and that her being allotted a share would further mark the international character of the company. His Highness said he resented very much the fashion of linking Turkey with Germany in the Bagdad Railway, and of its being taken for granted that Turkey would follow German dictation. He declared with some vigour that Turkey was neither German, French, nor English in this question, and he hoped that one day, when this country, through the development of its resources, had become rich, all the shares would be held by Turkish subjects.

It would be easy to readjust the proportions to be allotted to the different Powers, but he did not suggest what they should be.

Turning to the question of the necessity of providing against the differential rates, his Highness said he had never been able to understand the anxiety of His Majesty's Government on that score. He had not heard that there had been any complaints, and he had called for M. Huguenin, the managing director of the line, who had declared to him that such differential rates could not be imposed. His Highness said that to show how sure he was of this he was prepared to take the opinion of the British Chamber of Commerce. Moreover, the line being an Ottoman one, and it being obviously to the interest of this country to see it carrying as many passengers and as much merchandise as possible, the Turkish controllers would be careful not to allow anything of the kind. I said that it was not what had occurred, but what might occur in the future, that appealed to His Majesty's Government.

[1510]

Y

I understand that were the British Chamber of Commerce to be appealed to in the manner his Highness suggested they would not endorse his view.

His Highness then proceeded to speak of the question of our interests in the Persian Gulf, and said he would be quite prepared that the present position should be placed upon a clearer basis. He did not anticipate any difficulty regarding Bahrein, El Katr, &c., but Koweit was in a somewhat different position. The former were as it were detached from the main possessions of the Empire, while Koweit ate right into it. Reference was made in the memorandum to certain arrangements between the Sheikh of Koweit and His Majesty's Government. These were unknown to the Ottoman Government, and he presumed they would be duly communicated to it, for it was obviously impossible for this Government to negotiate in ignorance of the contents of the arrangements. The memorandum seemed to provide for an enlargement of the dominions of the Sheikh of Koweit. This could not be viewed favourably by this Government. Presumably the arrangements made with the sheikh were arrived at with a view to obstructing the acquisition of that place by any other Power. His Highness hoped that we would be assured that Turkey would never alienate any place on the Persian Gulf to any other Power. They did not desire to see any other Power but England in those waters. What was most important for this Government (and for this provision must be made in any arrangements regarding Koweit) was that it should not become a *foyer de sédition*, or that it should continue to be, as it was now, a depôt for the distribution of arms to the rebels against the Sultan.

These were the only points in the memorandum on which his Highness touched, and as he said the Cabinet had not yet had an opportunity of examining it, I did not conceive it necessary to argue any of the points with him.

I have, &c.

GERARD LOWTHER.

[33716]

No. 75.

Sir G. Louthier to Sir Edward Grey.—(Received August 28.)

(No. 586.)

Sir,

Therapia, August 21, 1911.

I HAVE the honour to transmit herewith a translation of an article which has appeared in the "Sabah," on the subject of the negotiations with Great Britain regarding the Bagdad Railway.

The Government so far appear to have observed a wise discretion in withholding any communication from the press of the British counter-proposals, but the tone of this article, which is eminently conciliatory I think, indicates that the author must have been influenced by Government circles.

The editor is an Armenian, and is said to have some connection with a member of the Cabinet.

The annexed leading article in the "Tanin," from the pen of Hussein Djahid, has clearly been written after communication with the Grand Vizier, some of the language used being almost identical with that of the Grand Vizier, as reported in my despatch No. 583 of the 18th instant.

I have, &c.

GERARD LOWTHER.

Enclosure 1 in No. 75.

Extract from the "Sabah" of August 19, 1911.

(Traduction.)

LE "Sabah" parle aujourd'hui dans un long article de fond des pourparlers qui ont lieu actuellement entre le Cabinet de St. James et la Sublime Porte concernant la ligne Bagdad-Bassora, et, après avoir relaté que les plus grands et les plus habiles diplomates en Angleterre ont trouvé depuis un siècle l'existence d'une Turquie puissante conforme à leur intérêt, continue ainsi :—

Pour que les délibérations actuelles qui ont pour but de résoudre une des causes principales qui mettent obstacles au développement naturel des relations anglo-turques, puissent assurer le résultat voulu, il faut accomplir les trois conditions suivantes :

1. Résoudre la question du chemin de fer par une entente sincère ;

2. Résoudre la question de Kouït de sorte qu'aucun côté obscur n'existe plus en ce qui concerne la situation réciproque des deux Gouvernements dans le Golfe Persique ;

3. Facilités économiques à accorder par le Gouvernement anglais au Gouvernement ottoman, surtout son consentement à la majoration de 4 pour cent des droits de douane. Nous ne croyons pas qu'il y ait de grandes difficultés pour les conditions de la construction de la ligne du chemin de fer, car nous espérons fermement que le Cabinet de St. James prendra en considération notre situation dans cette affaire.

Sous l'ancien régime une convention avait été conclue avec les Allemands. En supposant même que les conditions nous fussent préjudiciables, il était impossible de nous sauver des clauses d'une convention qui était signée au nom du Gouvernement ottoman. La Sublime Porte, ayant apprécié qu'une entente seule entre les parties intéressées pourrait mettre fin à cette question, a tâché de faire une entente avec la société allemande pour la section de la ligne jusqu'à Bagdad ; cette entente est de nature à faciliter les délibérations qui ont lieu avec l'Angleterre. Donc la première question a été résolue avec la société allemande ; actuellement on commence à délibérer avec l'Angleterre sur la deuxième et la dernière question ; mais il faut, dans les délibérations actuelles, prendre en considération un point, c'est-à-dire que nous sommes liés jusqu'à un certain point par des engagements qui avaient été pris sous l'ancien régime. L'amitié que l'Angleterre va montrer à notre égard ou plutôt pour ses intérêts, consiste à ne pas demander de nous des sacrifices en dehors de notre pouvoir. Les intérêts des deux parties demandent non pas de tomber en désespoir devant les impossibilités, mais de trouver un terrain d'entente dans la mesure du possible. Il est évident que la Sublime Porte, pour réussir à conclure l'entente, fera tout le sacrifice qui serait en harmonie avec les intérêts ottomans, mais nous espérons aussi que, de l'autre côté, le Cabinet de Londres appréciera que nous ne possédons pas complètement notre liberté d'action, mais que, au contraire, nous nous trouvons liés par certaines conditions. Cependant, l'entente qui sera faite exclusivement concernant l'intérêt économique de la ligne du chemin de fer, la manière de la formation de la société et l'administration de la ligne, ne suffit pas pour assurer le but. Il est nécessaire, au point de vue de la sûreté de l'affaire et pour la sauvegarde des intérêts ottomans, que l'administration sur le point terminus du Golfe Persique de ce chemin de fer ottoman soit entre les mains des fonctionnaires ottomans. Par conséquent, il faut que la phrase "l'état actuel de Kouït" employée dans les documents officiels anglais soit clairement expliquée. Si le but du "statu quo de Kouït" vise l'administration civile actuelle de Kouït et l'autorité donnée à son cheikh, l'entente pourra se faire facilement, car nous ne voyons aucune raison pouvant montrer la nécessité d'un changement complet dans l'administration de Kouït. Mais cet état de choses à Kouït n'empêche non plus d'accomplir toutes les affaires relatives au chemin de fer, ainsi qu'aux affaires de douanes, &c., par l'entremise des fonctionnaires qui seront envoyés du centre. A Kouït, qui fait partie du territoire ottoman, Moubarak-us-Sabah possède un titre et une autorité au nom de Sa Majesté le Sultan ; il n'y a pas de difficulté pour le maintien de ce titre et de cette autorité et aussi pour la continuation de certaines immunités et concessions qui ont été considérées comme traditionnelles à sa famille. Par conséquent, les affaires administratives concernant la ligne et les grandes transactions commerciales qui proviendront de cette ligne n'entrent pas dans cette catégorie. Il est nécessaire d'administrer ces affaires par l'entremise du centre et, par conséquent, de prendre les mesures nécessaires afin que les délégués de la Douane et du chemin de fer qui se trouveront à Kouït puissent faire leur devoir en pleine sûreté.

Le consentement du Cabinet de Londres à la majoration de 4 pour cent du droit de douane pendant la résolution de ces questions importantes, serait la conséquence naturelle des nouvelles relations entre les deux parties. Et si les pourparlers prennent fin jusqu'à l'ouverture de la Chambre, le Cabinet Ibrahim Hakki Pacha aura salué les représentants de la nation d'une bonne nouvelle importante.

Enclosure 2 in No. 75.

Extract from the "Tanin" of August 21, 1911.

(Translation.)

THE BUSSORAH-PERSIAN GULF RAILWAY.

AMONGST the important political negotiations in which the Ottoman Government is at this moment engaged those connected with the Bussorah-Gulf line

occupy a place of importance. If this question, which acts as a delicate touchstone for the friendly relations of England and Young Turkey and paves the way for suspicions and misunderstandings between the two countries, be settled justly in such a way as to please both parties, it will be possible to draw a deep breath of thankfulness and repose.

There are a number of questions between Turkey and the Great Powers of Europe which have been left in abeyance, and although these cannot at this moment be regarded as forming a difference, their doing so taken all together is undeniable. We have hitherto been in favour of the solution of such pending questions by entering at the moment into sincere and friendly conference rather than waiting until the difference becomes acute, and in the articles we have written up to now about the Bussorah-Gulf railway and Koweit we have always defended this point of view.

Indeed, we showed at the time our approval of the Imperial Government's considering proposals for reaching a settlement with England about the Bussorah-Gulf line, and pointed out the need of proceeding to deeds in the policy of fostering friendly relations with all States and not confining it to words.

The English Government has recently replied to the proposals the Sublime Porte put forward months before, and the standpoint of Great Britain as regards the Bussorah-Persian Gulf line has been explained in the answer.

Sir Edward Grey refrained from replying to a question about the nature of England's counter-proposals, and stated that it was desirable that this should be kept secret until the end of the negotiations. The Sublime Porte too naturally prefers to be silent. Hence it is not possible to determine the nature of the Anglo-Ottoman deliberations about the Bussorah-Persian Gulf line and Koweit.

To secure the best results in such important political negotiations, the first measure consists beyond a doubt in leaving the Cabinets concerned to exchange their views in peace and tranquillity. Hence we find it very natural and pardonable that neither the Sublime Porte nor the British Cabinet should be inclined to give explanations. Only it is the duty of the press at this moment when the official negotiations are actually going on to make a résumé of previous discussions and the news appearing in the press, to oppose the points of view of both parties, see whether they are irreconcilable or not, and prepare a ground of agreement in public opinion.

The demands up to now in the English papers about the Bagdad-Gulf Railway can be summed up in one main point: that the control of the line should be in English hands! That Sir Edward Grey should now repeat this claim which the papers have so often brought forward is very probable.

The word "control" has naturally offended Ottoman ears. This has arisen partially from misunderstanding the word.

For the meaning that we are accustomed to give to the word "control" which we have taken from the French and that which the English attach to it are not identical. Upon paying heed to this distinction one sees that what the English want is that the larger part of the capital for the construction of the line should be in English hands or in those of England's friends.

Previously, when this aspect of the matter was discussed in the papers, it was said that the Ottoman Government desired an important part of the capital to be in Ottoman hands, and the partition of the remainder equally between England, France, and Germany. This proposal, which was as agreeable to Ottoman interests as it was just, did not please the English papers. For as it did not suit them to see Turkey incline towards Germany, they bethought themselves that upon the German and Ottoman shares being joined those of England and France would be in the minority.

This is a very mistaken standpoint, which a moment's just thought can correct. The Ottoman Government is not inclined to the German policy, nor is it to that of England or France. It is clear that Turkey will incline to that side where her interest lies. Accordingly it is in the hands of the English and French to prevent the German and the Turkish capitals being united. Unless the former exercise pressure, the Turkish capital is always independent and always equally well-disposed to all. Since the Ottoman policy turns on independence and the keeping of the equilibrium, to say that it is favourable to Germany, and act upon that is like considering a thing that has never happened as a manifest truth, which an intelligent politician does not do.

Whence arises England's desire to obtain the largest part of the capital of the railway? We would like to seek for the answer to this question in the commercial benefits of England in Irak and the Persian Gulf. The tariffs might be so drawn up as to hinder British imports and commerce and encourage those of Germany.

This is irreconcilable with the fundamental foreign policy of Turkey. If the wish of England to obtain control of the railway is to avoid this, owing to the desires of the Sublime Porte and England being the same as regards the avoidance thereof, another remedy can be found. Or is it right to wish the last word about a line to be constructed in our country to be taken from us? It cannot be. For how can this be consented to?

If these questions are solved we hope that the Persian Gulf and Koweit harbour matters will be settled more easily. For, in spite of the claims of some English papers, the British Government has over denied the sovereign rights of Turkey over Koweit. There having been no opposition over this fundamental point, all sorts of assurances can be given to England that the establishment of Turkish influence upon a solid basis in the Persian Gulf will not menace their Indian possessions. Turkey is very far from pursuing a policy of aggression.—HUSSEIN DJAHID.

[33717]

No. 76.

Sir G. Lowther to Sir Edward Grey.—(Received August 28.)

(No. 587.)

Sir,

Therapia, August 23, 1911.

A PRELIMINARY agreement concerning the construction of railways in Anatolia and Albania appears to have been reached between the Porte and the Régie générale des Chemins de Fer at an earlier date than the embassy had hitherto had reason to suppose, for, on the 28th June last, a "déclaration" was signed by the Minister of Finance, the director of the Imperial Ottoman Bank and by MM. Delaunay and Sallandrouze de Lamornaix, representing the above-mentioned company, which practically secured these undertakings to the French group. The "déclaration," of which a copy is enclosed, states that an understanding had been reached by the parties for the purpose of entrusting the construction of the Anatolian system (Samsoun-Sivas, Sivas-Kharput, Erzincan-Erzurum-Trebizond) to the Régie générale, and that the Ottoman Government has approached the Imperial Ottoman Bank for the purpose of obtaining the necessary loans to carry out the works; and it lays down in five articles the general conditions which are to govern the construction contracts for the Anatolian and the "contrats d'études" for the Albanian system.

Contracts for some, and probably for all, the railways comprised in these two systems were signed, as reported in the despatch from this embassy No. 548 of the 2nd August on the 29th ultimo, but up to the present I have only been able to obtain possession of the text of one of them, viz., that for that portion of the Danube-Adriatic Railway that lies within Turkey, i.e., the Merdare-Prizrend-Dibre-San Giovanni di Medua line. From the copy, which I have the honour to transmit to you herewith, it will be seen that the contract is not with the Régie générale des Chemins de Fer, but with the Salonica-Constantinople Junction Railway Company, who are, I understand, to make the contract over to the Régie générale in consideration of a sum of 1,000,000 fr. The reason for this arrangement seems to be merely that the Salonica-Constantinople Junction Company were the first in the field in 1908 to apply for the concession, and that it was in their favour that the Servian Government withdrew its own application in June 1910. The whole of the negotiations for this contract were carried on by the Régie générale, without any reference whatever to the Salonica-Constantinople Junction Company, whose directors only learnt the terms of it after it was actually signed. I may remind you that the working of this line was ceded to the Régie générale in December 1895 for twenty years (see "Young," vol. iv, p. 103).

Presuming that the contracts for all the other lines, both Albanian and Anatolian, were signed on or about the 29th July, there still remains the contract with the Imperial Ottoman Bank for the requisite financial arrangements. This cannot be definitely drawn up until the estimates for the railways have been prepared, but according to the "déclaration" the time is limited to one year from the date of this "déclaration," i.e., the 28th June last.

I have, &c.

GERARD LOWTHER.

Declaration.

UNE entente de principe s'est établie entre le Gouvernement ottoman et MM. S. de Lamornaix et F. Delaunay, agissant au nom et pour compte d'un groupe comprenant notamment la Régie générale des Chemins de Fer et Travaux publics, entente ayant pour objet de confier audit groupe la construction pour le compte du Gouvernement et l'exploitation aux clauses et conditions à déterminer ultérieurement, des lignes de chemins de fer suivantes : Samsoum-Sivas, Sivas-Kharput-Erzincian-Erzeroum-Trébizonde, le tout constituant le réseau dit "A."

Dans le même but, le Gouvernement ottoman a entamé des pourparlers avec la Banque Impériale ottomane en vue d'assurer par voie d'emprunt les ressources nécessaires à la construction des lignes ci-dessus indiquées.

L'exécution des contrats de construction et d'exploitation des lignes ci-dessus mentionnées (réseau "A"), ainsi que des contrats d'études relatifs aux lignes de l'Albanie, est soumise à l'accomplissement des conditions ci-après :—

1. Le groupe précité prend l'engagement de s'employer auprès de la Banque Impériale ottomane à faire aboutir dans un délai maximum d'un an, à compter de la date de la présente déclaration, l'opération financière qui doit fournir les sommes nécessaires à la construction des lignes du réseau "A."

De son côté la Banque Impériale ottomane étudiera, de concert avec le Ministère des Finances, cette opération financière, de manière à pouvoir la faire aboutir en temps utile, si avant l'expiration du délai d'une année ci-dessus les ententes définitives sont intervenues avec le groupe précité pour la construction et exploitation des lignes du réseau "A."

2. Les contrats à intervenir entre le Gouvernement ottoman et le groupe précité pour l'exploitation du réseau "A" ne deviendront définitifs qu'après l'achèvement complet du réseau et la réception provisoire des lignes de ce réseau par le Gouvernement ottoman.

Si le groupe précité ne construit pas ce réseau dans les délais et aux conditions prévus par les conventions qui seront conclues ultérieurement, sauf, bien entendu, le fait des circonstances indépendantes de sa volonté, ledit groupe perdra ses droits à la construction des tronçons non exécutés, et le Gouvernement ottoman reprendra son entière liberté d'action en ce qui concerne l'exploitation de la totalité du réseau.

3. Dans le cas où l'opération financière indiquée plus haut n'aboutirait pas, les conventions à conclure pour le réseau "A," ainsi que les contrats d'études relatifs aux lignes de l'Albanie, seront considérés comme nuls et nonavenus, et le Gouvernement ne sera tenu d'indemniser le groupe précité ni à titre de frais d'étude, ni à quelque titre que ce soit ; il est cependant entendu que les études et projets dressés par le groupe précité pour les lignes de l'Albanie resteront la propriété dudit groupe.

4. Par contre, dans le cas où l'opération financière ayant abouti, le Parlement, malgré la demande et l'appui du Gouvernement ottoman, ne ratifierait pas tant ladite opération que les conventions à conclure pour la construction et l'exploitation des lignes ferrées du réseau "A," le Gouvernement devrait payer au groupe précité, conformément aux conventions intervenues, les frais des études effectuées et des projets remis au Gouvernement, ainsi qu'une indemnité à fixer d'accord, mais qui ne pourra être moindre que le montant des frais des études et projets à payer par le Gouvernement ottoman.

5. Les clauses et conditions de la construction et de l'exploitation des lignes ferrées du réseau "A" seront arrêtées dans un délai maximum d'un an à partir de la date de la présente déclaration.

Si les parties contractantes n'arrivaient pas à s'entendre sur les clauses et conditions avant l'expiration de ce délai d'un an, toutes les conventions relatives aux lignes ferrées mentionnées dans la présente déclaration, seraient considérées comme nulles et nonavenues, et le Gouvernement n'aurait rien d'autre à payer que les frais des études effectuées pour les lignes de l'Albanie, les projets y relatifs devenant la propriété du Gouvernement.

Le 28 juin, 1911.

Convention.

ENTRE son Excellence Houloussi Bey, Ministre du Commerce et des Travaux publics, agissant au nom du Gouvernement Impérial ottoman, d'une part, et M. Sallandrouze de Lamornaix, agissant en conformité des pouvoirs qui lui ont été conférés par le conseil d'administration de la Compagnie du Chemin de Fer ottoman Jonction Salonique-Constantinople, appelée ci-dessous la "Compagnie ottomane," d'autre part, il a été convenu ce qui suit :—

ARTICLE 1^{er}.

La Compagnie ottomane s'engage envers le Gouvernement ottoman, qui accepte, à faire, suivant le tracé qui sera arrêté d'accord avec le Gouvernement ottoman, les études d'un chemin de fer à voie normale de 1 m. 43 centim. d'écartement partant de la frontière turco-serbe (Col de Merdaré), passant par Prizrend et la vallée du Drin Noir pour aboutir, par la vallée du Mat, à Saint-Jean de Média, avec embranchement sur Scutari, ainsi que du port et des installations maritimes à Saint-Jean de Média permettant l'accès direct du chemin de fer à la mer.

Les caractéristiques de ces lignes, outre les principales ci-après définies, seront celles des lignes actuellement existantes dans l'Empire ; particulièrement les courbes ne descendront pas au-dessous de 300 mètres de rayon et les déclivités n'excéderont pas 20 millim., sauf en cas de nécessité absolue, reconnue par le Ministère, où elles pourront atteindre 25 millim.

ARTICLE 2.

La Compagnie ottomane s'engage à présenter au Ministère des Travaux publics, dans le délai de seize mois, à partir de la signature des présentes, en triple expédition, dont une sur toile, l'avant-projet du tracé desdites lignes.

Le dossier y relatif devra comprendre :—

1. Une carte générale à l'échelle de $\frac{1}{100000}$, figurant le tracé proposé ;
2. Un plan général à l'échelle de $\frac{1}{50000}$, représentant, sur une largeur de 300 à 500 mètres en plaine et de 200 à 250 mètres dans les gorges et terrains escarpés, le relief du terrain au moyen de courbes de niveau.
3. Un profil en long à l'échelle de $\frac{1}{5000}$ pour les longueurs et de $\frac{1}{500}$ pour les hauteurs, dont les côtes seront rapportées par rapport au niveau moyen de la mer pris pour point de comparaison ; au-dessous de ce profil, on indiquera, au moyen de trois lignes disposées à cet effet, savoir :—

(a.) Les distances kilométriques et hectométriques du chemin de fer comptées à partir de son origine ;

(b.) Les parties droites et les courbes avec leurs rayons ;

(c.) Les déclivités et leur longueur ;

4. Les profils en travers type de la voie ;

5. Les types de la voie métallique ;

6. Les plans d'ensemble des stations de 1^{re}, 2^e et 3^e classe ;

7. Un état complet du matériel roulant, qui sera du type généralement adopté en Turquie.

Il est bien entendu que dans le cas d'empêchements de force majeure, dûment constatés, le délai prévu pour la présentation de l'avant-projet serait prolongé d'une durée à fixer suivant les circonstances d'accord avec le Ministre des Travaux publics, mais qui, en tous cas, ne sera pas inférieure à celle de l'interruption, et à la condition toutefois que la Compagnie ottomane en avise par écrit les autorités locales et le Ministère des Travaux publics.

Le Gouvernement ottoman fera accompagner la mission d'études par 4 délégués, dont 2 officiers et 2 ingénieurs. La Compagnie ottomane versera mensuellement à la caisse du Ministère des Travaux publics, pour être répartie entre les ayants droit, une somme égale aux allocations de diverses natures dues à ces ingénieurs et officiers sans toutefois que le montant correspondant puisse dépasser £ T. 200 par mois.

Enfin, l'ingénieur chef de mission, ainsi que tout le personnel des études, devront être accompagnés par des escortes suffisantes pour permettre sans encombre le travail sur le terrain, tous les frais quelconques de ces escortes restant à la charge du Gouvernement Impérial ottoman.

ARTICLE 3.

Le Ministère des Travaux publics examinera l'avant-projet dans un délai maximum d'un mois, à partir de la date où la remise lui en aura été effectuée et l'approuvera tel quel ou après y avoir apporté les modifications nécessaires. Une expédition de cet avant-projet, dûment approuvée par le Ministère, sera retournée à la Compagnie ottomane avant l'expiration du délai susindiqué d'un mois.

ARTICLE 4.

Dans le délai d'un mois, à partir de la date de la remise par le Ministère de l'avant-projet approuvé tel quel ou après modifications, la Compagnie ottomane devra notifier audit Ministère le prix forfaitaire moyennant lequel elle s'engage à construire les lignes en question, y compris le port et les installations maritimes au point d'aboutissement sur l'Adriatique et à fournir le matériel roulant, ce prix forfaitaire comprenant également tout frais, imprévus, frais généraux et d'administration.

La Compagnie ottomane devra, en même temps, faire des propositions pour la combinaison financière permettant de se procurer les fonds nécessaires à la réalisation du chemin de fer.

ARTICLE 5.

Dans le cas où les propositions de la Compagnie ottomane seraient agréées par le Ministère des Travaux publics notification devra en être faite à ladite compagnie dans le délai maximum d'un mois, à partir de la notification prévue à l'article ci-dessus ; et il sera procédé sans délai à l'établissement de la convention concédant la construction et l'exploitation desdits chemins de fer à la Compagnie ottomane, cette concession ne devenant d'ailleurs définitive qu'après approbation par une loi de la convention y afférente.

ARTICLE 6.

Si, au contraire, les propositions de la Compagnie ottomane n'étaient pas agréées par le Ministère des Travaux publics, notification devrait en être faite dans le délai précité d'un mois à ladite compagnie, avec indication du prix forfaitaire auquel se serait arrêté ledit Ministère, et, si la Compagnie ottomane n'acceptait pas ce prix, le Gouvernement deviendrait propriétaire des études et reprendrait, dès lors, sa liberté d'action, sous les deux réserves ci-après :—

1. Le Gouvernement devrait rembourser à la Compagnie ottomane dans le délai d'un mois à partir de la notification ci-dessus le coût des études faites, fixé forfaitairement à £ T. 30 par kilomètre de chemin de fer, y compris les frais d'études du port et des installations maritimes.

2. Dans le délai d'un an, à partir de la notification ci-dessus stipulée, le Gouvernement mettra l'affaire en adjudication ; dans le cas où, toutes autres conditions afférentes au présent contrat restant d'ailleurs égales, les offres les plus avantageuses résultant de cette adjudication comporteraient un prix forfaitaire de construction supérieur au prix arrêté par le Ministère des Travaux publics, le Gouvernement devra le signifier à la Compagnie ottomane, qui pourra alors exercer un droit de préférence dans un délai maximum d'un mois, à partir de la date de cette signification.

Si l'adjudication aboutissait à un prix égal ou inférieur à celui proposé par le Ministère, la Compagnie ottomane n'aurait aucun droit de préférence.

ARTICLE 7.

Le cas de force majeure excepté, si les études ne sont pas présentées par la Compagnie ottomane au Ministère dans le délai imparti par l'article 2 ci-dessus, le présent contrat deviendrait par le fait même caduc.

Toutefois, si après avoir exécuté une partie desdites études, il venait à surgir des circonstances extraordinaires qui ne permettraient pas de les achever, la Compagnie ottomane présenterait le dossier des études exécutées, et dans ce cas les études faites seraient payées, sur la base des conditions arrêtées ci-dessus, à la Compagnie ottomane.

ARTICLE 8.

Toute contestation ou différend provenant de l'interprétation du présent contrat sera soumise à la décision du Conseil d'Etat. Les deux parties s'engagent à se soumettre à cette décision.

Fait en double, à Constantinople, le 2 chaban, 1329 (16 (29) juillet, 1927 (1911)).

HOULOUSI.

Par procuration spéciale :
DELAUNAY.

[33765]

No. 77.

Sir G. Buchanan to Sir Edward Grey.—(Received August 28.)

(No. 237.)
Sir,

St. Petersburg, August 23, 1911.

I HAVE the honour to transmit to you herewith the text of the Russo-German agreement, which was signed here on the 19th instant by the Acting Minister for Foreign Affairs, M. Nératof, and the German Ambassador, Count Pourtalès.

The agreement as it now stands, in its final shape, differs in two important points from the revised draft, of which I forwarded you a summary in my despatch No. 201, Secret, of the 12th of last month. By the addition of a few words to the 2nd article, Germany acquires the right to secure for herself the concession for the Tehran-Khanikin line should neither Russia nor the financial syndicate to whom Russia may delegate her authority have commenced its construction within the prescribed term; while, by the suppression of the 2nd paragraph of the 3rd article, she evades taking any engagement in writing with respect to the construction of railways in the zone situated between the Bagdad line and the Russian and Persian frontiers to the north of Khanikin. As the linking up of the Bagdad Railway with the future Russian railway system in Northern Persia is one of the main advantages which Germany hopes to derive from the agreement, it is not surprising that she should claim the reversion of the concession for the line by which this object is to be effected as a guarantee that the engagement taken by Russia on the subject will not remain a dead letter. On the other hand, the formal recognition of this claim by Russia may, as the "Novoe Vremya" points out, provide direct railway access for German goods to the Persian capital before the construction of the railway from the Russian frontier to Tehran has rendered a similar service to Russian trade. This is after all but a remote danger which Russia should not find it difficult to avert, and her recognition of Germany's right to this reversion is but the logical outcome of her consent to the linking up of the two railway systems.

The omission of the clause in the 3rd article of the Russian draft, embodying the engagements which Germany was to take with regard to the construction of railways running towards the Russian and Persian frontiers, is a much more important matter. In the conversations which I had with M. Sazonow last winter his Excellency repeatedly assured me that this was a point on which he would not yield, though it might be necessary to replace the clause in question by an exchange of secret notes. When therefore M. Nératof told me in strict confidence that Germany had given a categorical verbal assurance that she would not build any railways in the zone in question except such as she was entitled to build under the Bagdad Railway Concession, I reminded his Excellency of the language which M. Sazonow had formerly held to me, and expressed my surprise at his being contented with such a verbal assurance as well as at his admitting Germany's right to construct short lines from the Diala towards the Persian frontier, and from Mosul to Arbil in addition to the line from some point on the main line to Diarbekr and Kharput.

His Excellency replied that the two lines to which I had referred were unimportant branch lines of no strategic value, and that the Russian military authorities had waived the objections which had been originally raised to them. After the communication which they had made to the Porte in consequence of the publication of the draft

[1510]

2 A

agreement by the "Evening Times," the German Government had declared that it was impossible for them to give any engagement in writing with respect to the railways referred to in the 3rd Article. The insertion in the agreement of a special article respecting these railways was now altogether out of the question, while the secret was sure to leak out should recourse be had to an exchange of notes. The Russian Government had therefore, accepted their verbal assurance. M. Nératof added that in doing this they had given a moral satisfaction to Germany's *amour-propre*; that the construction of these railways was a matter which really only interested Russia; and that the fact that an engagement had been consigned to writing was nowadays no guarantee that that engagement would be kept.

I remarked that his Excellency seemed to me to underestimate the importance of the two branch lines to which I had drawn his attention, and that in any case I thought the Imperial Government had done more than sufficient to gratify Germany's *amour-propre* by withdrawing their opposition to the whole Bagdad Railway scheme. M. Sazonow, I said, had always told me that whatever might be the interpretation given to the term "Bagdad Railway," Russia would continue to co-operate with us just as much after as before the signature of the agreement, and I should like to know whether his Excellency thought that it would still be possible for Russia to support us should difficulties arise with regard to the construction of the Gulf section. M. Nératof replied that Russia was under no obligation to facilitate the construction of the railway, and that though she could not now have recourse to methods of direct obstruction, she could still co-operate with us in many ways and give us her indirect support. Though his Excellency's language was not very clear on this point, I gather that Russia would still be able to support any scheme which we might put forward with regard to the construction of the Gulf section, even though it did not meet with Germany's approval.

The agreement, taken as a whole, must undoubtedly be regarded as a diplomatic success for Germany, and a retrospect of the various phases of the negotiations, which have extended over the past nine months, does not tend to enhance the reputation of those who have conducted them on Russia's behalf. The initial mistake was committed when M. Sazonow allowed himself to be entrapped, during his conversations with M. Kiderlen, into giving verbal assurances of which he did not at the time realise the full significance. This was due to his want of experience as a negotiator and to his not weighing his words, rather than to the deliberate intention of throwing over the other two members of the Triple *Entente*. Thus, without any previous consultation with them, he had pledged Russia to withdraw her opposition to the Bagdad Railway scheme, and though he subsequently endeavoured to restrict this engagement to the Konieh-Bagdad line, it was clear from the outset that Germany would hold him to the strict letter of his bond. His disregard of the understanding on which the three Governments had hitherto acted that no individual member of the Triple *Entente* was to conclude an arrangement with Germany till the other two had obtained satisfaction for their respective claims, the vacillation and deplorable weakness which he displayed in the discussion over the Khanikin-Tehran line, and the uneasiness created by the vague assurances which he had exchanged at Potsdam to the effect that neither Russia nor Germany would join any combination that could in any way be directed against the other, all combined to produce the impression that a serious blow had been struck at the stability of the Triple *Entente*. Fortunately these fears proved to be unfounded; for, despite his occasional back-slidings, M. Sazonow was at heart a firm advocate of the maintenance of that understanding. M. Nératof, who took up the threads of the negotiations when M. Sazonow was incapacitated by illness, is equally sound on this point, though he has been obliged to follow in M. Sazonow's footsteps and to make further graceful concessions to Germany. He assures me, however, that there is absolutely nothing kept back that does not appear in the published text of the agreement, beyond the verbal assurances given by Germany respecting railway construction to the north of Khanikin, and that since the German Chancellor made his statement in the Reichstag last winter nothing more has been said about the combinations into which Germany and Russia should refrain from entering.

The signature of the Russo-German agreement at this juncture has come somewhat as a surprise, as it was generally expected that the negotiations would have dragged on for weeks, if not for months. The reason for this acceleration is probably to be found in the present critical state of international politics. To have signed an agreement with Russia at a moment when she is engaged in a very delicate conversation with France is no doubt regarded by Germany as a valuable asset;

while M. Kiderlen may congratulate himself on having scored a success which will strengthen his position with his countrymen, should he eventually decide to content himself with a moderate portion of the compensation which he originally demanded from France. Russia, on the other hand, is watching with keen interest the development of the situation in Persia, and, as it is impossible to foresee at present what may be the outcome of the crisis through which that country is passing, she is no doubt well pleased to have concluded an arrangement under which Germany leaves her a free hand in northern Persia.

I have, &c.
GEORGE W. BUCHANAN.

Enclosure in No. 77.

Russo-German Agreement.

LES Gouvernements russe et allemand, partant du principe de l'égalité de traitement pour le commerce de toutes les nations en Perse; considérant, d'une part, que la Russie possède dans ce pays des intérêts spéciaux et que, d'autre part, l'Allemagne n'y poursuit que des buts commerciaux; se sont mis d'accord sur les points suivants:—

ARTICLE 1^{er}.

Le Gouvernement Impérial d'Allemagne déclare qu'il n'a pas l'intention de rechercher pour lui-même ou d'appuyer en faveur de ressortissants allemands ou de sujets étrangers—au nord d'une ligne partant de Kasri-Chirin, passant par Ispahan, Yezd et Khakhk et aboutissant à la frontière afghane à la latitude de Ghazik—de concessions de chemins de fer, de routes, de navigation et de télégraphes.

ARTICLE 2.

De son côté, le Gouvernement russe, ayant en vue d'obtenir du Gouvernement persan une concession pour la création d'un réseau de voies ferrées dans le nord de la Perse, s'engage à demander, entre autres, une concession pour la construction d'une voie qui doit partir de Téhéran et aboutir à Khanékine pour raccorder sur la frontière turco-persane ledit réseau à la ligne Sadidjé-Khanékine, dès que cet embranchement du chemin de fer Koniah-Bagdad aura été achevé. Une fois cette concession obtenue, les travaux de construction de ladite ligne devront être commencés dans deux ans au plus tard après l'achèvement de l'embranchement Sadidjé-Khanékine et terminés dans le courant de quatre années. Le Gouvernement russe se réserve de fixer en son temps le tracé définitif de la ligne en question tout en tenant compte des desiderata du Gouvernement allemand à ce sujet. Les deux Gouvernements faciliteront le trafic international sur la ligne Khanékine-Téhéran, ainsi que sur celle de Khanékine à Bagdad, en évitant toutes mesures qui pourraient l'entraver, telles que l'établissement de droits de transit ou l'application d'un traitement différentiel. Si, au bout de deux années à partir du moment où l'embranchement Sadidjé-Khanékine du chemin de fer Koniah-Bagdad aura été achevé, il n'est pas procédé à la construction de la ligne Khanékine-Téhéran, le Gouvernement russe avisera le Gouvernement allemand qu'il renonce à la concession se rapportant à cette dernière ligne. Le Gouvernement allemand sera libre dans ce cas de rechercher, de son côté, cette concession.

ARTICLE 3.

Reconnaissant l'importance générale qu'aurait pour le commerce international la réalisation du Chemin de Fer de Bagdad, le Gouvernement russe s'engage à ne pas prendre de mesures visant à en entraver la construction ou à empêcher la participation de capitaux étrangers à cette entreprise, à condition, bien entendu, que cela n'entraîne pour la Russie aucun sacrifice de nature pécuniaire ou économique.

ARTICLE 4.

Le Gouvernement russe pourra confier l'exécution du projet de la ligne de chemin de fer reliant son réseau en Perse à la ligne Sadidjé-Khanékine à un groupe financier étranger à son choix, au lieu de la faire construire lui-même.

ARTICLE 5.

Indépendamment de la manière dont la construction de la ligne en question sera effectuée, le Gouvernement russe se réserve le droit à toute participation aux travaux qu'il pourrait désirer, ainsi que celui d'entrer en possession dudit chemin de fer, au prix des frais réels encourus par le constructeur. Les hautes parties contractantes s'engagent, en outre, à se faire participer mutuellement à tous les privilèges de tarifs ou d'autre nature que l'une d'elles pourrait obtenir à l'égard de cette ligne.

Dans tous les cas les autres stipulations du présent arrangement resteront en vigueur.

[33766]

No. 78.

Sir G. Buchanan to Sir Edward Grey.—(Received August 28.)

(No. 238.)

Sir,

St. Petersburg, August 23, 1911.

IN a conversation which I had with the Acting Minister for Foreign Affairs just after the signature of the Russo-German agreement, his Excellency informed me that the publication of the text of the agreement in the semi-official "Rossia" would be accompanied by an article on Russia's position with regard to the 4 per cent. customs increase and the Triple Entente.

The article duly appeared in the issue of the 20th August. It is mostly devoted to a recapitulation of the terms of the agreement, and the only points that call for attention are passages in which is given what may presumably be taken to be the official Russian interpretation of certain of its provisions.

With regard to the preamble, for instance, it is stated that the term "special interests" must evidently be understood to mean "the interests of a political, strategical, and economic character" which Russia possesses in Persia in virtue of her geographical position. It will be remembered that in the original draft the words used were "special political interests," and that the word "political" was omitted from the text as eventually adopted for signature.

The period allowed for the completion of the Tehran-Khanikin line is somewhat vaguely stated in article 1 of the agreement, which might be interpreted as allowing either four or six years for the completion of the line. The "Rossia" article shows clearly that the Russian interpretation is that two years are allowed for obtaining the concession and a further four years for the actual work of construction.

With regard to article 3 the semi-official article states that the reserve as to pecuniary and economic sacrifices which Russia couples with her promise not to impede the Bagdad Railway scheme refers clearly to the proposed 4 per cent. customs increase.

In a somewhat cryptic paragraph the article then refers to the wider scope of the Potsdam conversations, in which the interests of the two Powers in the Near East, as well as in Persia, were discussed. The present agreement, it says, does not give expression to all the conclusions arrived at by the two statesmen at Potsdam, but, nevertheless, the friendly relations established at Potsdam remain in full force, and give Russia, as well as others, an undoubted right to reckon on an entirely friendly policy on the part of Germany in questions of railways and other matters affecting the political, economic, and strategic interests of Russia.

The article then asserts that the agreement in no way changes the grouping of the European Powers, and concludes with the words: "The Franco-Russian alliance and the Franco-Anglo-Russian understanding remain, as formerly, the firm basis of the policy of the Russian Government."

I have, &c.

GEORGE W. BUCHANAN.

No. 79.

[33767]

Sir G. Buchanan to Sir Edward Grey.—(Received August 28.)

(No. 239.)

Sir,

St. Petersburg, August 23, 1911.

THE publication of the Russo-German agreement with regard to Persia has, in general, been received coldly by the St. Petersburg press, and M. Nératof appears to be somewhat disappointed by the absolute lack of any display of enthusiasm.

The "Novoe Vremya" breathes a sigh of relief on at last being delivered from the long strain of uncertainty, but otherwise has little of good or ill to say of the agreement. It points out, however, that Germany's declaration of political "désintéressement" is merely a repetition of her assurances with regard to Morocco, and wonders whether it will prove any more binding.

The article compliments Russian diplomacy on its action in including in the zone, in which Germany undertakes not to seek concessions, the small strip of neutral territory along the Afghan frontier. It thinks this will tend to prevent complications, since, theoretically at least, it will exclude German adventurers from that region. It has also a good word to say for Russia's reserve as to her pecuniary and economic interests with regard to the Bagdad Railway, which will enable her to withhold her consent to any increase of the Turkish customs dues destined for the purposes of the railway.

It criticises sharply the arrangement with regard to the Tehran-Khanikin line, and says that the only chance left for Russia is to build the trans-Persian line to India as speedily as possible. Otherwise Russian traders in North Persia may as well shut up shop and return home, for their places will be taken by Germans.

The "Rech," which is always violently against the Government, takes the view that "Russian trade in Persia has been sacrificed." It cites Algéciras and Morocco as standing warnings, and concludes with the taunt that the date of the publication of the agreement was chosen in order to humiliate Russia in the eyes of her ally France, and to give Germany a breathing space in the ridiculous position in which she found herself in the Morocco negotiations.

The "Bourse Gazette" remarks sarcastically that in the agreement "obligations are distributed evenly—at least, numerically speaking." Russia has lost everything that she once possessed in Persia, but this is due rather to the lethargy and greed of Russian traders than to any fault of Germany, who has only acted in accordance with modern notions and left out of consideration everything but her own material interests. The paper does not think that Germany will follow her Moroccan tactics in the case of the Russo-German agreement, as the maintenance of good relations with Russia is a political dogma of the German Emperor.

The "Sviet," the organ of the Nationalists and the Right, says that the balance of the agreement is much in favour of Germany, but nevertheless welcomes it as putting an end to the long period of suspense and in the hope that it may induce Russia to wake up and build her own railway into Persia and so save it from the Germans.

The "Zemschina," the organ of the Extreme Right, takes an unexpectedly anti-German view. It points out that, with any considerable development of German trade in Persia, Germany, whatever she may say now, is bound to have political interests in that country. The dangerous part of the agreement is that in which a limit is set for the construction of the Tehran-Khanikin line. The article urges the immediate construction of railways in Persia, but warns its readers against being carried away by fantastic schemes, such as the line to India. What is required is a cheap type of line to carry goods at slow speed.

Articles still continue to appear in many of the papers, but the above brief summaries of the published views of the chief papers of widely different political complexion are, I think, sufficient to show that the agreement has not been hailed with enthusiasm in any quarter.

I have, &c.

GEORGE W. BUCHANAN.

[32601]

No. 80.

Foreign Office to India Office.

Sir,

Foreign Office, August 28, 1911.

I AM directed by Secretary Sir Edward Grey to acknowledge the receipt of your letter of the 18th instant, relative to the inclusion of certain areas in the survey which is shortly to be made in the Persian Gulf.

As regards the waters of the Khor Abdullah and the Khor Assabieh, which adjoin the islands of Warba and Bubian and the approaches to the Island of Bahrein, Sir E. Grey concurs in the opinion of the Marquess of Crewe that the survey should be proceeded with immediately.

As regards the territorial waters of the El Katif coast, on the other hand, in view of the fact that His Majesty's Government have recognised the claims of Turkey as far south as Ojeir, he considers that no survey should take place, and that operations should be kept within the limits indicated in the note to the Sublime Porte (see "Eastern Department Secret Series" Print, the 29th July, Section 1), and should not encroach on regions where Turkish sovereignty is admitted in that communication.

Sir E. Grey would therefore suggest that the terms of the draft telegram enclosed in your letter should be modified in this sense.

I am, &c.

LOUIS MALLET.

[31875]

No. 81.

Sir Edward Grey to Sir G. Louther.

(No. 237.)

Sir,

Foreign Office, August 29, 1911.

I HAVE received your Excellency's despatches Nos. 548 and 551 of the 2nd instant relative to schemes of railway construction by French capital in Asia Minor in relation to Anglo-French financial co-operation in Turkey, and I approve the language used by you to your French colleague, as reported in the latter of these two despatches.

I am, &c.

E. GREY.

[34110]

No. 82.

India Office to Foreign Office.—(Received August 30.)

Sir,

India Office, August 29, 1911.

I AM directed to advert to Lieutenant-Colonel Cox's letter of the 25th July last to the Secretary of State for Foreign Affairs, enclosing copy of Lieutenant Wilson's report on his survey of the route for a railway from Mohammerah to Khorembad.

Until the views of the Government of India are received the Secretary of State for India does not think it necessary to express an opinion on the conclusions arrived at by Lieutenant Wilson in his very interesting and valuable report; but he wishes to suggest that in any negotiations that the Persian Railways Syndicate may engage in in respect of this line the rights and interests of the Sheikh of Mohammerah should not be overlooked. From this point of view it is for consideration whether along with their application to the Persian Government they should not simultaneously apply to the sheikh.

Sir E. Grey will no doubt consider the desirability, at a later stage, of communicating to the syndicate some of the results obtained by Lieutenant Wilson.

I am, &c.

R. RITCHIE.

[34341]

No. 84*.

*Enclosure in India Office Letter.—(Received August 31.)**Government of India to the Marquess of Crewe.*

(Telegraphic.) P.

August 30, 1911.

PLEASE refer to your telegram dated the 17th instant.

Resident, Persian Gulf, whom we have consulted, has had interview with Sheikh of Koweit personally. As regards agreement of 1907 for lease of foreshore, sheikh, in the absence of more definite knowledge of present negotiations, is against disclosing details, on the following grounds:—

1. Because agreement mentions by name places respecting which overtures from other quarters have been rejected by him.
2. Because provisions framed as a safeguard against possible contingencies, which may never arise, are contained in the agreement.
3. Because, in the event of negotiations between Great Britain and Turkey proving abortive, Turkish hostility against sheikh would be greatly increased by publication of details, while inconvenient gossip would in any case be caused among sheikh's own subjects.

It would be very undesirable in my opinion that any part of text of agreement should be furnished to Turkish Government. Its existence is already known to them (see despatch dated the 28th May, 1909, from His Majesty's Ambassador at Constantinople). A spontaneous intimation to Turkish Government that we have a lease of land at Koweit, but see no necessity to discuss details, would perhaps be sufficient. Provided always that we do not intend to diverge from its terms, sheikh welcomes publication of 1899 agreement. I think that, on the same understanding, we might communicate agreement to Turkish Government, but communication of any part of letter of 23rd January, 1899, from Colonel Meade, is deprecated. It is obviously undesirable to disclose paragraph 2; and only "good offices" are provided for in first paragraph, whereas sheikh was informed in December 1901 and October 1902 that we would protect Koweit and district against attack, and that attack on Koweit by Turkish troops or ships would not be tolerated by us (see Lord George Hamilton's telegrams of the 4th December, 1901, and the 14th October, 1902).

It would be sufficient, I suggest, if a note were appended to copy of agreement of 1899 to the effect that sheikh had subsequently been told by us that we charged ourselves to protect Koweit by land and sea and to support him and his heirs and successors, so long as they acted up to their obligations under the agreement.

Sheikh's undertaking not to allow any Government other than British to establish post office (see Secretary of State's telegram of the 19th February, 1904, and enclosure in our letter of the 27th October, 1910), will presumably be furnished, as well as his agreement to prohibit import and export of arms (see our letter dated the 5th July, 1900).

All or any of our treaties with Bahrein and Trucial coast might be communicated to Persian Government, as we have none besides those in Aitchison's "Treaties, &c." which is a published work. I see no objection to 32nd and 46th being excluded, except that their exclusion might cause misunderstanding.

[1510]

2 B*

[33565]

No. 83.

Mr. Mallet to Mr. C. Greenway.

Dear Mr. Greenway,

Foreign Office, August 30, 1911.

THE Departments interested have now had time to consider your letter of the 11th August, enclosing a précis of the proposed terms of the draft contract which the Persian Railways Syndicate are submitting to the Persian Government.

The system on which the contract as at present drafted is based (that described in the third paragraph of your letter) has the disadvantage that the Persian Government would be able at any time, if they could produce the money, to buy out your syndicate at two years' notice. Apart from this, the system indicated is doubtless preferable from every point of view to that described in the succeeding paragraph, and the objection to it which I have noted above might be met by providing that bonds should not be redeemed otherwise than by the operation of the sinking fund, and that the redemption should not proceed at more than a prescribed rate during a given period of years. I see from the amended draft of the contract which was actually telegraphed to Tehran (enclosed in your letter of the 16th August), that you have inserted in article 7 a provision to the effect that the sinking fund of 1 per cent. shall not come into operation for a period of five years after the opening of the line to traffic, and it appears from a letter which we have received from the Board of Trade that the syndicate would favour the insertion of a further provision that the Persian Government's payment towards a sinking fund for the redemption of the bond issue should not during a period of twenty or twenty-five years exceed the rate of 1 per cent. This would secure to the syndicate a tenure of twenty-five or thirty years in all, and, in our view, obviate the sole objection to the scheme, more especially in view of the fact that the chance of the Persian Government being able to pay off the bonds is exceedingly remote.

I observe that in article 7 of the revised draft the words "uncharged surplus of" are inserted before the words "the customs duties of Southern Persia." This amendment anticipates an objection which we should have had to make.

As regards article 16, His Majesty's Government contemplate surveying the Bushire-Firuzabad-Shiraz road, with a view to the possibility of adapting it for motor traction. If it is decided that this is practicable and desirable, and if the plan is carried out, some arrangement could no doubt be arrived at with the syndicate.

We do not like the inclusion of article 22 in the contract. It would of course be impossible to avoid a recourse to His Majesty's Minister in practice if a dispute had to be settled through the diplomatic channel, but it seems to us undesirable thus to appoint him as arbitrator. In a dispute between the Persian Government and the syndicate he would certainly be suspected by the former of bias in favour of the latter, and he would be placed in the invidious position of being both judge and advocate. Could it not be provided instead that disputes, if they cannot be settled by negotiation, should be referred to one of the other foreign representatives selected by the two parties?

Yours sincerely,

LOUIS MALLET.

[31875]

No. 84.

Foreign Office to Mr. D'Arcy.

Sir,

Foreign Office, August 30, 1911.

WITH reference to the letter from this Office of the 13th January last relative to your interests in Eastern Anatolia and Mesopotamia, I am directed by Secretary Sir Edward Grey to inform you that he has received a despatch from His Majesty's Ambassador at Constantinople, from which it appears that the so-called "Chester scheme" of railway construction may be considered definitively to have failed.

Sir G. Lowther accordingly suggests that it might be worth your while to renew your application to the Turkish Government for a concession to work the deposits of mineral oil in those regions.

Sir G. Lowther adds that your agent is at present absent from Constantinople.

I am, &c.

LOUIS MALLET.

[32723]

No. 85.

Foreign Office to Board of Trade.

(Confidential.)

Sir,

Foreign Office, August 31, 1911.

WITH reference to the letter from this Office of the 20th July respecting the proposed Trans-Persian Railway, I am directed by Secretary Sir Edward Grey to state that he would be glad to learn the opinion of the Board of Trade on the question whether His Majesty's Government would be justified in undertaking to guarantee the line.

A complete file of the correspondence exchanged on this subject, some of which has not yet been communicated to the Board, is transmitted herewith for their information and to assist them in forming a conclusion.

I am, &c.

LOUIS MALLET.

[32723]

No. 86.

Foreign Office to Treasury.

(Confidential.)

Sir,

Foreign Office, August 31, 1911.

I AM directed by Secretary Sir Edward Grey to transmit to you herewith copies of correspondence respecting a proposal for the construction of a Trans-Persian railway, and to state that he would be glad to learn the opinion of the Lords Commissioners of His Majesty's Treasury on the question whether His Majesty's Government would be justified in undertaking to guarantee the line.

I am, &c.

LOUIS MALLET.

[35028]

No. 87.

*Mr. Greenway to Mr. Mallet.—(Received September 5.)**Winchester House, Old Broad Street, London,
September 4, 1911.*

Dear Mr. Mallet,

I AM obliged for your letter of the 30th ultimo commenting on the draft telegram submitted with my letter of the 11th idem.

As regards the point dealt with in the second paragraph of your letter—viz., the power given to the Persian Government to acquire the railways—the syndicate are entirely of your view, and have guarded against this in the text of articles 19 and 34 of the draft contract sent to Mr. Brown, whereby it is made clear—

1. That the bonds shall be repayable by an amortisation fund of 1 per cent. per annum, commencing five years after the railway is opened; and
2. That the Government can only determine the contract two years after the bonds shall have been redeemed in accordance with the terms of the contract.

This, as you point out, ensures a tenure of twenty-five to thirty years.

Should it be considered desirable to adapt the Bushire-Firuzabad-Shiraz road for motor traction the syndicate would be quite prepared to consider some arrangement for undertaking the work.

As regards your objection to article 22, Mr. Brown had in his telegram of the 29th ultimo, copy of which has been sent to you, raised the same point, and the syndicate have met it (as you will see from reference to article 38 on page 14 of enclosed copy of telegram to Mr. Brown*) by suggesting that one arbitrator shall be nominated by them and one by the Treasurer-General.

I will shortly send you a copy of the draft contract showing all the alterations up to date, in order that you may be in a position to follow any further telegraphic correspondence more closely.

Yours sincerely,

C. GREENWAY.

* Not printed.

[33765]

No. 88.

Sir Edward Grey to Sir G. Buchanan.

(No. 240.)

Sir,

Foreign Office, September 5, 1911.

I HAVE received your Excellency's despatch No. 237 of the 24th ultimo, forwarding, with observations, the text of the Russo-German Agreement respecting Asiatic Turkey and Persia.

I approve the language held by your Excellency to the Russian Minister for Foreign Affairs in the course of the conversation which you had with him on the subject.

I am, &c.

E. GREY.

[35420]

No. 89.

*Mr. Greenway to Mr. Mallet.—(Received September 8.)**Winchester House, Old Broad Street, London,
September 7, 1911.*

Dear Mr. Mallet,

WHEN writing my letter of the 4th instant I assumed that the figure of twenty-five or thirty years given for the tenure that would be secured by an amortisation fund at the rate of 1 per cent. per annum was about the correct actuarial figure, but on looking into the question I find that the actual figures are as below:—

A 1 per cent. accumulating sinking fund invested at—

5 per cent. per annum would require	36½	years to extinguish the principal.
4½	"	"
4	"	"
3½	"	"
3	"	"
2½	"	"

Therefore the tenure secured by a 1 per cent. amortisation fund applied in annual purchases of the bonds (the most remunerative method of employing the money, and therefore the quickest method of extinguishing the bonds) would be 36½ years, plus the five years before it came into operation, i.e., a minimum period of 41½ years from the date of opening any one line for traffic.

I do not understand the reference you have had from the Board of Trade, because we have had no communication with them on the subject. Possibly their letter referred to some other negotiations for railways in Persia?

In any case we have not suggested any payment by the Persian Government towards the sinking fund, other than the 1 per cent. per annum which is to be provided out of the railway earnings, or by the Government if the railway earnings do not suffice to cover this 1 per cent., in addition to the working expenses, interest on bonds, &c.

Our syndicate, of course, desires to secure the longest tenure possible, and will bear this in mind in arranging the details of the amortisation scheme with the Persian Government. Under the Bagdad Railway concession the Germans, I believe, have a tenure of 100 years, and this we should secure if we can arrange that the amortisation be effected by annual drawings at the rate of 1 per cent.

Yours, &c.

C. GREENWAY.

Enclosure in No. 89.

Contract between the Persian Government and the Persian Railway Syndicate.

CONTRACT entered into between the duly accredited representative of the Government of His Imperial Majesty the Shah of Persia (hereinafter called "the Government") of the one part, and the Persian Railways Syndicate (Limited), a company

[1510]

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incorporated under the laws of the United Kingdom of Great Britain and Ireland (hereinafter called "the syndicate"), of the other part, for the survey, construction, and working of the railways and other works hereunder mentioned, subject to the provisions of this contract.

ARTICLE 1. The Government grants to the syndicate the exclusive privilege during the period of this contract for the survey, construction, and working of the railways hereunder mentioned in the kingdom of Persia, to be worked entirely or in part by steam or by electricity, at the discretion of the syndicate.

Firstly.—A line of railway commencing from Mohammerah and [or] Khor Musa, or other convenient point adjacent thereto, and running to Khorremabad or Burujird;

Secondly.—A line of railway commencing from Bunder Abbas, or other convenient point adjacent thereto, and running to Kerman;

Thirdly.—A line of railway commencing from Bunder Abbas, or other convenient point adjacent thereto, and running to Shiraz;

Fourthly.—A line of railway commencing from Bunder Abbas, or other convenient point adjacent thereto, and running to Mohammerah;

and also of constructing and working a harbour or port at any of the above-mentioned termini. The expression "railways" or "railway," where used in this contract, shall include such harbour or port.

Art. 2. Unless the Government and the syndicate shall otherwise agree, the survey and construction of the said railways shall be proceeded with in the order mentioned in article 1 hereof, and, subject to the provisions hereinafter contained, the survey and construction of the said railways subsequent to the railways hereinbefore firstly described shall not be proceeded with unless and until the railway immediately proceeding shall have been opened for public traffic.

Art. 3. The Government guarantees to the syndicate that during the period of this contract it will not permit the construction of any other parallel or competing line of railway, of timber or of wire cables, or any parallel or competing organised system of mechanical transport within a zone of 50 kilom. on each side of the line of any of the said railways, without the previous consent in writing of the syndicate.

Art. 4. The Government shall grant to the syndicate, free of all cost to the syndicate or the said railways, such zones or strips of land as may be required for the line of the said railways, the stations, and the appurtenances thereof, and the syndicate shall be authorised to take on such lands the timber, materials, &c., which may be required for the construction or maintenance of such works. The Government shall also, by direct grant, or by arrangement with the local chiefs or other owners, grant to the syndicate the right, free of cost, to take on other lands belonging to the Government or such local chiefs or other owners timber, materials, &c., required for the construction or maintenance of such works.

Art. 5. The Government grants exemption from all import duties, navigation dues or charges, and all other fiscal dues or charges for all the materials of the said railways, rails and their accessories, rolling stock, tools, implements, machinery, instruments, apparatus, camp sheds, wire for telegraphs and fences, telegraphic and telephonic apparatus, and all other articles whatsoever which may be required for the survey, construction, working, and maintenance of the said railways, and grants to the syndicate the right to use all rivers and roads within the Empire of Persia for the conveyance of all such materials and things.

Art. 6. The said railways and the enterprise of the survey, construction, and maintenance thereof and the receipts therefrom shall, during the period of this contract, be exempt from the payment of any Imperial, departmental, municipal, or local tax or fiscal charge, and also from any registration, transfer, or other duty on any deeds or documents connected with the service thereof, and from stamp duties of all kinds.

Art. 7. The employés, workmen, and other staff in the service of the said railways shall be deemed to be Government servants, and in such capacity shall be exempt from military service and from any civil or police duty other than in connection with the said railways.

Art. 8. The Government shall furnish free of cost to the syndicate or the said railways the police or military force which may be necessary for the safety of persons or of property on any part of the said railways, both during the survey and construction thereof and after the same shall have been opened for public traffic, and shall afford the

syndicate and its agents every assistance in its power to enable the syndicate or its agents to obtain an adequate and efficient supply of labour for the purposes of such survey and construction.

Art. 9. The syndicate may import mechanics, workmen, and labourers, together with all articles for their private and domestic use, free of import duty and other fiscal imposts.

Art. 10. During the period of this contract the chief officials in Persia on the said railways in connection with the construction, maintenance, and working thereof shall be British subjects to be nominated by the syndicate.

Art. 11. The syndicate will commence the surveys for the tracings for the railway hereinbefore firstly described within six months from the date of this contract, and will employ competent persons to complete the same with all due diligence, and not later than eighteen months from the date of this contract.

Art. 12. The line of the said railways shall be a single track of 2 ft. 6 in. or 1 metre gauge, and shall be provided with all necessary auxiliary lines and sidings. The lines may be partly adhesive and partly rack. The curves shall be of the largest possible radius having regard to the nature of the country in which the same shall be situate. The said railways shall be provided with at least one telegraph or telephone line throughout the whole length thereof, with all necessary apparatus for working the same.

Art. 13. On the completion of the said survey the syndicate shall forthwith submit to the Government the plans with the surveys of the general tracing of the said railway and the stations and the appurtenances thereof, together with a specification of the works necessary for the construction thereof and of the materials, locomotives, rolling stock, plant, and other articles and things requisite and necessary for the construction and equipment thereof, and together also with an estimate of the cost of the construction and equipment thereof. The said estimate shall include the actual cost of the construction and equipment, together with all engineering, freight, and other charges, and also an estimated amount for the payment of interest for a period of two years after the same shall have been opened for public traffic and for all expenses of and incidental to the issue of the railway bonds, mentioned in article 19 hereof, in Europe. The said estimate shall be based upon an average cost per mile or upon the cost per section, or upon such other basis as the syndicate may determine to be preferable.

Art. 14. The Government shall make such criticisms or objections to the said plans, surveys, specifications, and estimates as it may think proper, and, subject to any objections which shall have been made in writing by the Government and shall not have been complied with or overcome by the syndicate and shall be still outstanding, such plans, surveys, specifications, and estimates shall be considered as approved and accepted by the Government at the expiration of six calendar months from the date of the delivery thereof to the Government.

Art. 15. The said survey shall be undertaken by the syndicate at the sole cost of the Government, and the syndicate shall during such survey render to the Government monthly accounts of the costs, charges, and expenses incurred by the syndicate in connection therewith and shall submit to the Government reasonable vouchers for all such costs, charges, and expenses, and the Government shall reimburse the syndicate the costs, charges, and expenses comprised in any such account within one calendar month after such account and the vouchers relating thereto shall have been delivered to the Government. Any balance of any such costs, charges, and expenses to be incurred by the syndicate on behalf of the Government remaining unpaid shall be paid to the syndicate by the Government on or before the delivery of the plans, surveys, specifications, and estimates to the Government in accordance with article 13 hereof. The costs, charges, and expenses of such surveys may, at the option of the Government, be paid and satisfied either in cash or in Imperial State bonds similar to the recent issue of State bonds. Should the Government elect to satisfy such costs, charges, and expenses in Imperial State bonds they shall give to the syndicate notice in writing of such election, and thereupon the Government shall deposit with the Imperial Bank of Persia at

the said Imperial State bonds sufficient at the price of 87½ per cent. to cover the costs, charges, and expenses to be incurred in making such surveys, with authority to such bank to deliver to the syndicate, on production of monthly certificates signed by the company's engineer, an amount of bonds sufficient at the said price of 87½ per cent. to satisfy the amount of such monthly certificate.

Art. 16. At the expiration of the period of six months mentioned in article 14 hereof, the syndicate shall have the right to construct the said railway hereinbefore firstly described upon the basis of the said plans, surveys, specifications, and estimates to be delivered by the syndicate to the Government in accordance with article 13 hereof, subject to such

modifications thereof as shall have been agreed between the Government and the syndicate. The syndicate shall be at liberty to enter into any contracts with any persons or companies approved by the syndicate [sic] for the construction of the whole or any part of the said railway, or the supply of the whole or any part of the materials required for the construction or equipment thereof, provided that the liabilities of the Government and the syndicate hereunder shall not by reason of any such contract be respectively increased or diminished. The syndicate shall be entitled to retain for its own benefit the balance, if any, between the estimated cost of the construction and equipment of the said railway and the actual cost of the construction thereof for the purpose of defraying any costs, charges, and expenses which may be incurred by the syndicate in connection with the subscription of the bonds mentioned in article 19 hereof or otherwise in relation to this contract and for its profit in connection therewith.

Art. 17. Upon the completion of the said survey the syndicate shall notify the Government the period within which the said railway will be constructed, in order that the same may be opened for public traffic, and shall commence the construction thereof within a period of six calendar months after the bonds mentioned in article 19 shall have been issued by the syndicate, and shall proceed with the construction thereof when commenced with all due diligence, in order that the same may be opened for public traffic as speedily as the circumstances will permit. Provided that the period to be notified by the syndicate for the construction of the said railway shall be subject to such extension as the circumstances may require in the event of the labour available for the construction thereof being inadequate or in the event of any delay arising from adverse political conditions.

Art. 18. The Government will appoint a qualified British or American engineer, who shall be subject to the reasonable approval of the syndicate, for the purpose of examining the works and of certifying that the same have been constructed in accordance with the said surveys, plans, and specifications, and that the same are ready to be opened for public traffic.

Art. 19. Before the syndicate shall be required to proceed with the construction of the said railway the Government shall create and the syndicate shall be authorised to issue a special loan of railway bonds sufficient at the price of 87½ per cent. to provide the amount of the estimate mentioned in article 13 hereof. Such railway bonds shall constitute a direct obligation of the Government to the holders or bearers thereof, and shall carry interest at the rate of 5 per cent. per annum from the date of issue, and shall be repayable by means of an amortisation fund of 1 per cent. per annum commencing five years after the said railway shall have been opened for public traffic. The principal moneys, interest, and other moneys payable in respect of the said railway bonds shall constitute a first charge upon the railways and the net receipts of the railways mentioned in article 1 hereof, and shall be further secured by a charge or appropriation in a manner and to an extent to be approved by the syndicate upon such revenues of Southern Persia as may be applicable to the purpose and be approved. Such customs duties or other securities shall be paid to the Imperial Bank of Persia at some branch in Persia to be named by the syndicate to a special account twenty-one days prior to the date for payment of each half-year's interest in respect of the said bonds. Should the amount so paid in not be sufficient for the payment of the said interest and to provide the proportionate part of the yearly amortisation fund, the Government shall forthwith make up any deficiency. The amounts so deposited shall be applied by the said bank in paying the interest to become due in respect of the bonds next after the date when such payment ought, in accordance with the provisions of this clause, to have been made, and the bank shall apply the balance of the moneys so deposited, or such part thereof as may be necessary, in redemption of the bonds in manner provided by the conditions endorsed on the bonds. Should the sums so deposited exceed the said liabilities, the Government shall be entitled to withdraw the balance in its favour immediately after the making up of each half-yearly account. The interest upon the said railway bonds during the construction of the said railway and for a period of two years after the same shall have been opened for public traffic shall be paid and provided by the syndicate so far as the provision for that purpose contained in the estimated cost will extend. Provided, however, that, should the company be prevented from constructing the railway on account of circumstances over which the syndicate has no control, the interest and amortisation fund in respect of the bonds shall, during the period that the syndicate are so prevented from constructing the railway, be paid by the Government.

Art. 20. The proceeds of the issue of the said railway bonds shall be deposited in a bank in London to be approved by the syndicate to the order of the syndicate and shall

be applied by the syndicate as and when required for the purpose of defraying the cost of the construction of the said railway in accordance with the plans, surveys, specifications, and estimates hereinbefore mentioned and of paying the interest upon the said railway bonds during the period and to the extent mentioned in article 19 hereof.

Art. 21. The Government may at any time within a period of five years from the date of this contract require the syndicate to proceed with the survey of any of the railways mentioned in article 2 hereof other than the railway hereinbefore firstly described upon the same terms as are hereinbefore provided in respect of the railway hereinbefore firstly described.

Art. 22. On completion of the railway hereinbefore firstly described, or earlier if the Government and the syndicate shall so agree, the Government may require the syndicate to proceed with, or the syndicate at its option may require the Government to grant to it the right to proceed with, the construction of the railway hereinbefore secondly described upon terms identical with the terms hereinbefore contained relating to the construction of the railway hereinbefore firstly described, and the syndicate shall thereupon, and subject to the provisions hereinbefore contained, be bound to proceed with due diligence with the construction and equipment of the railway hereinbefore secondly described.

Art. 23. On the completion of the railway hereinbefore secondly described, or earlier if the Government and the syndicate shall so agree, the Government may require the syndicate to proceed with, or the syndicate at its option may require the Government to grant to it the right to proceed with, the construction of the railway hereinbefore thirdly described upon terms identical with the terms hereinbefore contained relating to the construction of the railway hereinbefore secondly described, and the syndicate shall thereupon, and subject to the provisions hereinbefore contained, be bound to proceed with due diligence with the construction and equipment of the railway hereinbefore thirdly described.

Art. 24. On the completion of the railway hereinbefore thirdly described, or earlier if the Government and the syndicate shall so agree, the Government may require the syndicate to proceed with, or the syndicate at its option may require the Government to grant to it the right to proceed with, the construction of the railway hereinbefore fourthly described upon terms identical with the terms hereinbefore contained relating to the construction of the railway hereinbefore thirdly described, and the syndicate shall thereupon, and subject to the provisions hereinbefore contained, be bound to proceed with due diligence with the construction and equipment of the railway hereinbefore fourthly described.

Art. 25. Each of the railways mentioned in article 1 hereof, as and when completed and opened for public traffic, shall be worked and administered by the syndicate on behalf of and for the benefit and at the risk of the Government, at least until such time as the whole of the railway bonds to be issued for provision of the necessary funds for the construction and equipment of the said railways, or any one of them, shall have been redeemed by means of the amortisation fund of 1 per cent. per annum to be constituted for the redemption thereof. The syndicate shall carry on the working and administration of the said railways with due diligence and proper care, and shall provide a train service sufficient for the development of the traffic upon the said railways, when the same shall be opened for public traffic, and shall, subject to the provisions of this contract, so carry on the said railways as to produce the best results both for the said railways and for the district to be served thereby.

Art. 26. The syndicate shall receive as its remuneration in each year for working the said railways pursuant to article 25 hereof, and for the expenses of its administration in London, a commission at the rate of 5 per cent. of the gross receipts of the said railways.

Art. 27. For the purposes of this contract the gross receipts of the said railways shall be the aggregate amounts, whether ordinary or extraordinary, which shall be received by the syndicate on such part of the said railways as shall be for the time being open for public traffic.

Art. 28. From the gross receipts from the working of the said railways there shall be deducted the following expenses:—

- (a.) Working expenses.
- (b.) Cost of maintenance, both ordinary and extraordinary, of the lines, buildings, materials, telegraph, telephones, &c.
- (c.) Cost of the renewal of the fixed material and rolling stock.
- (d.) Expenses arising by reason of accidents or thefts, fires, or *force majeure*.

(e.) Costs of insurance of the buildings, merchandise, or passengers in connection with the said railways.

(f.) The remuneration of the syndicate mentioned in article 26 hereof.

(g.) Subject to the liability of the syndicate to pay and provide the interest during construction and for a period of two years thereafter in manner mentioned in article 19 hereof, the amounts required for the payment of the interest upon and the provision of the amortisation fund for any railway bonds issued in accordance with the provisions hereof, for the provision of funds for the construction and equipment of the said railways, or for the purposes of this contract.

If the gross receipts do not suffice to meet the above expenses, the Government will, when and so soon as the accounts of the said railways for any year shall have been completed, and within one month after payment thereof shall have been demanded by the syndicate, make up whatever deficit there may be.

In the event of the gross receipts showing a surplus over the above expenses, then, subject to the payment of any previous existing deficit, such surplus shall be carried to the credit of a separate account to be applied from time to time, as the circumstances of the said railways may require, in the maintenance thereof, or in the replacement of any part of the equipment thereof, or in the construction and equipment of any extension of the said railways, and until so applied the moneys standing to the credit of such account shall be invested in the name of or under the control of the syndicate; or

In the event of the gross receipts showing a surplus over the above expenses, then, subject to the payment of any previous existing deficit, one-half of such surplus shall be carried to the credit of a separate account to be applied from time to time, as the circumstances of the said railways may require, in the maintenance thereof, or in the replacement of any part of the equipment thereof, or in the construction and equipment of any extension of the said railways, and until so applied the moneys standing to the credit of such account shall be invested in the name of or under the control of the syndicate, and the remaining half thereof shall be handed over to the Treasurer-General of the Government.

Art. 29. The syndicate shall, during the administration of the said railways, keep proper accounts in a form usually adopted by railways, and the Treasurer-General of the Government, provided that such Treasurer-General be a natural-born citizen of the United States of America, shall be entitled at all times to inspect and audit such accounts. The syndicate shall in each year during the period aforesaid present to the Government a full statement of the receipts and expenditures connected with the said railways properly classified under the respective divisions of receipts and expenditure usually adopted by railways and including all expenditure mentioned in article 28 hereof. Except in so far as any objection in writing shall be raised by the accountant or accountants of the Government to the said accounts, and such objections shall remain outstanding, the said accounts shall be deemed to be binding upon the Government and the syndicate at the expiration of three months after the same shall have been delivered to the Government.

Art. 30. As the traffic of the said railways so requires, the Government will from time to time, at the request of the syndicate, provide all such additional locomotives, rolling stock, installations, stations, buildings, goods-sheds, sidings, and other like conveniences necessary for the proper working of the said railways, provided that the syndicate shall not, if the Treasurer-General for the time being of the Government shall be a natural-born citizen of the United States of America, be entitled without the previous sanction of the Treasurer-General to require the Government to incur any capital expenditure which would necessitate the issue by the Government of railway bonds other than as hereinbefore provided for the provision of funds for the construction and equipment of the said railways.

Art. 31. The Government may require the syndicate to execute, and the syndicate will, as and when so required, execute, at the expense of the Government, all such additional works as the Government may deem necessary or expedient for the greater security of the public, or for the policing of the said railways, or for the convenience of the traffic thereon. Every such requisition shall be in writing, specifying the works to be executed, and shall be accompanied by a deposit with the bankers of the syndicate in Tehran of the agreed estimated cost of the works so specified, and during the construction of such works the amount so deposited shall be paid over to the syndicate in proportional amounts as required.

Art. 32. The tariffs of the said railways shall be calculated upon a sterling basis at the current rate of exchange, and shall be fixed from time to time by the syndicate (with the approval of the Treasurer-General, if a natural-born citizen of the United States of America) upon the basis, as nearly as possible, of obtaining sufficient gross

receipts to provide for the expenses mentioned in article 28 hereof, the object of the Government being the development of the districts to be served by the said railways by means of a tariff as low as can be reasonably fixed, and not the receipt of profits from the said railways.

Art. 33. Public officials travelling by order of the competent authorities, and producing a certificate signed by such authorities to that effect, shall pay one-half of the tariff rates. The syndicate shall not issue any free passes to any persons other than their own directors, staff, and employes. The syndicate may in special cases issue to special persons tickets at one-half of the tariff rates.

Art. 34. When and so soon as all the railway bonds issued pursuant to the provisions of this contract shall have been redeemed, and all moneys which shall have been advanced upon the securities of the said railways or any of them or the receipts thereof shall have been repaid, and all moneys payable by the Government to the syndicate under the provisions hereof at the date of the notice shall have been paid, the Government may thereafter, on giving two years' notice in writing, determine this contract, and at the expiration of such notice, and upon payment of any moneys payable to the syndicate by the Government under the provisions hereof at the date of such expiration, the syndicate shall place the Government in full possession of the said railways, their dependencies and equipment.

Art. 35. During the continuance of this contract the syndicate will have the preferential right of constructing any extensions of the railways referred to in article 1 hereof, and also any other railways in Southern Persia which the Government may require to be constructed.

Art. 36. Every obligation of the syndicate under this contract shall be subject to the exception of *force majeure*, and the Government will indemnify the syndicate and the enterprise of the said railways against any damages caused by Government forces or campaign or by armed forces in rebellion against the lawful Government, the amount of the damage sustained and the mode of indemnification, in default of agreement between the Government and the syndicate, to be determined by arbitration in the manner provided by article 38 hereof. In the event of the suspension of the traffic on the said railways by *force majeure*, the obligation of the Government to make good any deficit in the gross receipts of the said railways as provided by article 28 hereof shall be in no way affected or diminished.

Art. 37. In the event of any payment to be made by the Government hereunder being made in cash, the same shall be made at the current market rate of exchange.

Art. 38. In the event of any dispute or difference arising between the parties to the present concession in respect of its interpretation or the rights or responsibilities of either of the parties therefrom resulting, such dispute or difference shall be submitted to two arbitrators at Tehran, one of whom shall be nominated by the syndicate and the other by the Treasurer-General, and to an umpire who shall be appointed by the arbitrators before they proceed to arbitrate. The decision of the arbitrators, or, in the event of the latter disagreeing, that of the umpire, shall be final.

[35028]

No. 90.

Mr. Mallet to Mr. Greenway.

Dear Mr. Greenway,

Foreign Office, September 8, 1911.

I AM much obliged to you for your letter of the 4th September regarding the terms of the contract which the Persian Railways Syndicate are presenting to the Persian Government in connection with railway construction in Southern Persia.

I note that all the points raised in my letter of the 30th August are satisfactorily dealt with.

Yours sincerely,
LOUIS MALLET.

[35540]

No. 91.

The Marquess of Crewe to Government of India.—(Received at Foreign Office, September 9.)

(Telegraphic.) P.

India Office, September 1, 1911.

PERSIAN GULF. See my telegram dated the 3rd July.

Survey at earliest date practicable of approaches to Bahrein, and also of waters of Khors Assabiya and Abdulla, which adjoin Bubian and Warba Islands, is authorised by His Majesty's Government. As, however, Turkish claims have been recognised by His Majesty's Government as far south as Ojeir, no survey should take place in El Katif territorial waters. There should be no encroachment on regions over which Turkish sovereignty was admitted in British reply to Porte dated the 29th July (copy sent to India 28th idem), operations being kept within limits indicated in that reply.

[35420]

No. 92.

Mr. Mallet to Mr. Greenway.

Dear Mr. Greenway,

Foreign Office, September 9, 1911.

WITH reference to your letter of the 7th instant, I would suggest that the following alteration should be made in article 19 of the contract to be entered into between the Persian Railways Syndicate (Limited) and the Persian Government:—

Article 19. After "upon" in line 14 insert "such revenues of Southern Persia as may be applicable to the purpose and be approved."

I understand that your company are prepared to agree to this alteration.

Yours sincerely,

LOUIS MALLET.

[35588]

No. 93.

Sir G. Lowther to Sir Edward Grey.—(Received September 11.)

(No. 619.)

Sir,

Constantinople, September 2, 1911.

I HAVE the honour to forward to you herewith a copy of a report, dated the 10th July, which I have received from His Majesty's vice-consul at Mosul, relative to the progress of the Bagdad Railway, &c., in his district.

I have, &c.

GERARD LOWTHER.

Enclosure in No. 93.

Report respecting Progress of Bagdad Railway in the Mosul District.

[XII. Bagdad Railway (last reference, paragraph 8 of my despatch No. 23 of the 3rd May).]

MEISSNER PASHA, chief engineer of the third section, arrived in Mosul on the 5th June from Aleppo, accompanied by a doctor named Yako Miloshevitch, who is believed to be of Servian origin, and to have served as an artillery officer in the Austrian army, and by a Montenegrin named Georgi Popovitch, who apparently acts as a secretary, and is said to know something of engineering.

A revision of the survey made some years ago, which, my German colleague tells me, has proved inaccurate, is given out as the object of Meissner Pasha's present journey. After remaining a week in Mosul he left for Bagdad by the desert road (west of the Tigris). It was his alleged intention to survey on his way, and he expected to reach his destination in about twenty days—a very short time if more than a superficial revision of this part of the survey is intended.

The chief engineer of this vilayet tells me that it is at present proposed to carry the main line in as straight a course as possible from Nisibin to Tekrit, and to connect Mosul with its nearest point by a branch. Such a branch, if carried across the Tigris,

could tap the more populous agricultural districts of Erbil and Kerkuk, and would, with its possibilities of still further extension, be of much strategic value.* It would probably take off most advantageously from the main line in the neighbourhood of Sinjar, which, besides being the point nearest to Mosul, is the centre of an agricultural district and of a region whose Arab, Yezidi, and Turkoman inhabitants are a constant source of embarrassment to the Turkish authorities.

It was reported in a previous despatch that work was proceeding on a new road from the Sinjar Gate, which is near the north-western extremity of Mosul, in the direction of Tel' Afar and Sinjar. As yet only a few hundred yards of this road has been superficially made, and for some time the work has been almost at a standstill from lack of funds; but a further grant of money is expected soon, and it is possible that this work may prove to be more closely associated with the future railway than is at present admitted.

It must, however, be stated as an argument against the probable use for railway purposes of the road under construction that Meissner Pasha is said to have selected for a large building to contain forty offices a site near the barracks and Government buildings at the southern extremity of the town. There the banks of the river would offer special facilities for bridging, should the line be carried across the Tigris, and could be reached without interfering with existing buildings or streets. Much of the neighbouring land is owned by one Suleiman Bey, with whom the German vice-consulate is believed to be cultivating especially friendly relations.

But my German colleague assures me that the main line is to enter Mosul at or near the Sinjar Gate.

It appears that Meissner Pasha is himself sceptical about the enterprise from the point of view of a profitable concern. The German vice-consul admits that a kilometric guarantee has been given, and the vali told me in private conversation that he believes it to be the case.

Meissner Pasha is reported to have said that he regards the lack of hard stone in this district as a serious difficulty.

Jevad Bey, chief of the staff of the Mosul army corps, who has spent some years in Germany, and was much with the German engineer during his stay in Mosul, tells me that when the railway company has submitted its plans and they have been approved by the Porte the work of construction will, if possible, begin at both ends. He says, however, that unless a reduction of the Suez Canal dues can be obtained it is probable that all the material will be landed at Alexandretta and the idea of simultaneous work from Bagdad abandoned.

In view of the suspected mineral wealth of this district and of railway enterprises undertaken or contemplated, a statement recently made to me by the vali to the effect that no concessions are at present to be granted to foreigners may be of interest. Petroleum, known to exist at Gayara and in the Zakho and Kerkuk districts, has recently been found under conditions which, I am informed, suggest its presence in abundance on the left bank of the Tigris, at three places south of and within 25 miles of Mosul. At one point about 12 miles south of the town it is said that, when the river is low, oil issues from both banks, and may be seen floating on the water. The quality of this oil was at one time considered questionable, but, although refined by the crudest methods at Gayara, it is now being used with apparent success as fuel for an ordinary English (Blackstone) oil engine, purchased in Bagdad by a Mosul merchant, and used to work a flour mill.

The recent discoveries would seem to be further proof of the existence of an extensive oil-field.

A sample of brimstone found near Tel' Afar was recently shown me by a native of Mosul, who has resided some years in the United States, and is the only authority here on such matters. He assures me that it contains about 75 per cent. of pure sulphur, and that he believes it to exist in considerable quantities. The same enterprising native has recently experimented with some coal found near Zakho, and pronounces it the equal of the soft quality known in England as "Canell" (?) coal.

The official paper of this vilayet, the "Mosul," published on the 15th June an article stating that "Iraq will be restored to life when the railway is made," and the reactionary "Nijah" has also commented favourably. Neither the Arabs nor the Kurds are likely to share this view. But I have not yet heard of negotiations on this subject having been opened with the sheikhs in this district.

* But I am not aware of any survey having yet been made east of the Tigris.

Sir G. Lowther to Sir Edward Grey.—(Received September 11.)

(No. 626.)

Sir,

Therapia, September 6, 1911.

THE recent Potsdam Agreement has evoked singularly little comment in the local press, but from such articles as have appeared on the subject it is to be deduced that it is regarded with a certain degree of misgiving. The "Ikdan," a moderate Opposition paper, in the only article it has printed, scarcely touches on the question whether the interests of Turkey are affected by the agreement as published to the world, but observes that it may be taken for granted that the whole of the instrument has not yet seen the light and that there must be secret clauses.

Even the "Tanin," the organ of the forward section of the committee, which has generally been decidedly Germanophil, though prefacing its remarks by recalling that Baron Marschall's assurances last spring had allayed the excitement caused in Turkey by the revelations of the "Evening Times," observes that Ottoman public opinion still awaits enlightenment on the real tenor of the agreement, and goes on to ask whether there are no secret clauses. The confidential organs of the Governments of the two Powers, it notes, have spoken of verbal understandings, one of which is believed to have reference to the relations of Russia and Germany with Persia, and the nature of those undertakings can be gathered from the complaint of the "Novoe Vremya" that, in spite of Germany's assurances not to encourage Turkey to interfere in Persian affairs, Turkey is still massing troops on the Persian frontier. Germany, the "Tanin" therefore concludes, has agreed to leave Turkey alone to face Russia and Great Britain in Persia. As to verbal understandings touching the extension of the Bagdad Railway to the Russian frontier, the "Tanin" professes to feel no uneasiness, as categorical assurances have been given to the Porte which there is no reason to doubt. The article concludes with the significant remark that it is strange that when a Turkish railway is concerned the real owner should not be admitted to the discussion.

The foreign press comments have been no less meagre and cautious than those of the vernacular papers, and it seems fairly evident that this conspiracy of silence is intended to cloak the general chagrin felt at the manner in which Turkey has been ignored by Russia and Germany.

More recently the "Jeune Turc" makes the occasion of Prince Youssef Izeddin's visit to Berlin and the conferring of the Order of the Black Eagle on the Sultan a convenient peg on which to hang an article intended to restore confidence in Germany, and pointing out that a close friendship between Germany and Turkey is as much in the interests of the former as the latter, as Turkey is prepared to play the part of a "brilliant third" to Germany in the great movement already preparing.

A copy of the article is enclosed herewith.

I have, &c.

GERARD LOWTHER.

Enclosure in No. 94.

Extract from the "Jeune Turc" of September 3, 1911.

ALLEMAGNE ET TURQUIE.

DEUX faits : la collation par l'Empereur Guillaume à notre Sultan de l'Ordre de l'Aigle noir et la réception Royale faite à Berlin au prince héritier, ont une importance et une signification particulières.

On sait qu'en ce moment-ci nous traversons peut-être l'une des crises les plus curieuses de notre histoire ; la Triple Entente essaie de nous "embouteiller" encore plus, de jour en jour.

Du côté du Golfe Persique, à Kouéït, du côté du hinterland d'Aden, à Sinâï, nous sommes on ne peut plus gênés.

Dans nos contrées de l'est, également, nous nous sentons peu à notre aise ; l'affaire de Perse, créée par deux membres de la Triple Entente, est un mal aussi grand pour l'Empire des Kadjiass que pour celui d'Osmân.

Somme toute, le troisième membre de cette entente même, ainsi qu'une Puissance de la Triplice, un demi-membre de l'entente, ont vis-à-vis de nous une politique qui n'est guère pour faciliter notre évolution.

Il serait superflu de citer certains faits, certains exemples pour prouver le bien-fondé de notre thèse, la justesse de cette vue.

Or, en ce moment de crise latente, il est vraiment réconfortant pour nous de voir que le pays le moins intéressé qui puisse exister pour nous, au point de vue politique, l'Allemagne, reçoit celui qui, un jour, trônera à Dolma-Baghtché, avec les honneurs dus à un Souverain.

L'article que le journal allemand indépendant—le plus répandu de Berlin—le "Berliner Tageblatt" consacre à ce fait, mérite un examen approfondi. L'importance de cette visite, dit l'organe prussien, est d'autant plus grande qu'elle a lieu à un moment où des bruits sont mis en circulation tendant à présenter la Turquie comme menacée par l'accord récemment intervenu entre l'Allemagne et la Russie.

Nous prenons volontiers acte de cet écho des partis indépendants de l'Allemagne ; si, en effet, comme le dit le "Berliner Tageblatt" et comme l'avait déclaré à la Sublime Porte le Baron Marschall von Bieberstein, l'accord de Potsdam ne lèse pas les intérêts et les droits et surtout la dignité de notre pays, tant mieux ; mais nous croyons pouvoir affirmer que cet accord, signé il y a de cela quelques jours, est quelque peu en dérogation avec la politique turcophile inaugurée et dirigée, soit sous l'autre régime, soit depuis la constitution, par le vénérable doyen du corps diplomatique qui représente le Kaiser à Constantinople.

Certes, l'Allemagne a un besoin impérieux d'être bien avec la Russie. Plus d'une question, plus d'une nécessité, la frontière de l'est, les origines des Holstein-Gottorp qui ont succédé aux Romanoff, &c., obligent la Cour Royale de Prusse d'être avec la Russie, malgré la double alliance, plus intime que les autres. Mais toutes ces considérations ne doivent pas désintéresser l'Allemagne de la Perse, ni conclure des ententes pouvant nous léser tant soit peu.

Cette note de l'organe berlinois a, selon nous, son importance. On dirait que l'Allemagne même, qui a mis un grand retard à signer l'entente, ne la trouve pas opportune.

En continuant, le même journal dit que l'expérience a démontré que seuls les Allemands offrent à la Turquie la sécurité de ne pas voir les questions économiques mêlées à des aspirations politiques. Cela est fort bien dit. L'Allemagne, vu sa situation géographique, son antagonisme avec les autres et vu aussi notre situation, ne peut avoir aucune visée sur nous. Tout au contraire, l'Allemagne ne doit et ne peut désirer qu'une Turquie forte, qu'une Turquie bien organisée. Seule une Turquie avancée et policée, prospère et riche peut, dans l'équilibre mondial, faire contre-poids aux forces antagonistes de l'Allemagne. Et si, aujourd'hui, les dirigeants de l'Allemagne multipliaient leurs efforts pour rendre à la Turquie sa transition plus douce, ils ne serviraient pas seulement un pays qui fut de tout temps en excellents termes avec eux, mais ils contribueraient par là même à la grandeur de l'Allemagne.

Nous sommes très reconnaissants à l'Allemagne d'avoir mis, à nouveau, à notre disposition l'une de ses plus grandes autorités militaires, le Feld-Maréchal von der Goltz Pacha, de nous avoir facilité l'emprunt refusé par Paris, de nous avoir cédé deux unités de combat à un moment critique.

En faisant tout cela l'Allemagne n'a fait, que l'on en soit certain, que rendre plus forte, plus à son aise une force qui, laissée en l'état, serait facilement exploitée par la combinaison diplomatique contraire à elle.

Or, si l'Allemagne prêtait encore une aide plus sérieuse à la Turquie, l'équilibre méditerranéen, l'équilibre de l'Orient ne seraient jamais entamés par d'autres et à son désavantage.

Le "Berliner Tageblatt" dit que tant que la Turquie aura à lutter contre les tendances qui ouvertement ou clandestinement visent à détruire son indépendance, à anéantir son intégrité territoriale et à entamer son développement, elle trouvera toujours l'Allemagne de son côté.

Nous apprécions la justesse de vues de l'organe allemand ; nous ne doutons point que, lors d'une éventualité, l'Allemagne se rangera naturellement, spontanément de notre côté ; cela est une nécessité, on pourrait même dire une obligation, de la politique du jour.

Lorsque l'on comprendra à Berlin et à Constantinople que dans le grand mouvement qui se prépare et qui se fait déjà sentir de plus en plus, soit dans la Mer du Nord, soit dans l'Océan, la Turquie peut jouer vis-à-vis de l'Allemagne le rôle de "brillant troisième," et lorsque—disons-le sans crainte—le Gouvernement de

Constantinople sera plus stable, plus solide, plus uniforme, alors le rapprochement des deux pays sera complet, définitif.

Espérons que le voyage de Youssouf Izeddine Effendi dans la capitale allemande sera le prélude de cette entente.—DJELAL NOURY.

[35898]

No. 95.

India Office to Foreign Office.—(Received September 12.)

Sir,

India Office, September 11, 1911.

WITH reference to your letter of the 16th August, 1911, and to the telegraphic correspondence subsequently communicated, I am directed by the Secretary of State for India to address you regarding the request of the Turkish Government to be furnished with copies of the agreements with the Sheikhs of Koweit and Bahrein, and with the Trucial chiefs.

2. *Koweit*.—As regards the agreement of 1907, the attitude of the sheikh, as reported in the telegram of the Government of India, seems decisive against its communication to the Turkish Government, and the Marquess of Crewe agrees, in the circumstances, with the suggestion of the Government of India that the Porte should be informed that we have a lease of land at Koweit, but do not consider it necessary to discuss the details. With regard to the 1899 agreement, Lord Crewe agrees that it might be communicated, with the addition of the note suggested by the Government of India in lieu of Colonel Meade's letter of the 23rd January, 1899.

There seems no objection to the communication of the agreement of the 21st May, 1900 (Arms Traffic) or the 28th February, 1904 (Post Office).

With reference to the final paragraph of your letter I am to observe that, since it is not proposed to communicate to the Turkish Government a complete set of our agreements with Koweit, the previous understanding suggested in that paragraph seems more than we have a right to demand.

3. *Bahrein and the Trucial Chiefs*.—I am to enclose copies of these treaties extracted *en bloc* from Aitchison's "Treaties, Engagements, and Sanads," and to say that Lord Crewe sees no reason why they should not be communicated if Sir E. Grey thinks fit. But it seems expedient to remind the Porte that British rights in the Gulf and on the coast rest not merely on the agreements concluded but on the custom, consent, and long established relations between the local chiefs and the Government of India.

I am, &c.

R. RITCHIE.

[36254]

No. 96.

India Office to Foreign Office.—(Received September 15.)

THE Under-Secretary of State for India presents his compliments to the Under-Secretary of State for Foreign Affairs, and forwards herewith, for the information of the Secretary of State, copy of a letter to the Admiralty, dated the 14th September, relative to Persian Gulf surveys.

India Office, September 14, 1911.

Enclosure in No. 96.

India Office to Admiralty.

Sir,

India Office, September 14, 1911.

WITH reference to previous correspondence regarding the surveys proposed to be made in the Persian Gulf, I am directed by the Secretary of State for India to enclose, for the information of the Lords Commissioners of the Admiralty, copy of a telegram from the Government of India,* reporting that, with two survey vessels, the work is expected to take four years or more, and suggesting that it might be carried

* See No. 98.

out by one of His Majesty's ships and one of the Royal Indian Marine vessels conjointly.

The Marquess of Crewe had not, I am to explain, apprehended that the work contemplated would be so laborious or occupy so long a period, and he would be glad, before considering the matter further, to receive the observations of the Lords Commissioners on the proposals made in the telegram of the Government of India.

If the Lords Commissioners should be prepared to detail a vessel, he would be glad to learn (1) the estimated cost, and (2) the basis on which such cost is calculated, with a view to addressing the Secretary of State for Foreign Affairs as to the division of the expenditure.

A suggestion has been made in connection with a scheme for providing additional lights in the Persian Gulf that a vessel may have to be obtained for use as a lighthouse tender, but his Lordship is not at present aware whether it could, if provided, be used also for survey work, in substitution for one of the two vessels that the Government of India propose should be employed.

Copy of this letter has been communicated to the Foreign Office.

I am, &c.

R. RITCHIE.

[36606]

No. 97.

India Office to Foreign Office.—(Received September 15.)

Sir,

India Office, September 15, 1911.

IN continuation of the letter of this Office, dated the 24th August, 1911, regarding the lighting and buoyage of the Persian Gulf, I am directed by the Secretary of State for India in Council to enclose a statement of the cost, as estimated in Mr. D. W. Hood's report of the 28th June, 1909, of the several lights and the lighthouse tender that have formed the subject of recent correspondence. As stated in the telegram of the Government of India, dated the 21st August, these are the most accurate preliminary estimates that it is at present possible to obtain; the total, exclusive of the lighthouse tender, amounts to—

	£
Initial	47,600
Annual, recurring	2,490

2. The necessity for incurring considerable expenditure on the lighting and buoyage of the Gulf has already been recognised in the correspondence between the Foreign Office, the Admiralty, and the India Office, and it has further been agreed that the particular lights included in the statement are those to which priority should be given. I am therefore to suggest that, as proposed in your letter dated the 29th April last, the Lords Commissioners of His Majesty's Treasury should now be moved to accept a moiety of the charges above mentioned as a charge against British revenues, on the understanding that the other moiety will be defrayed by the Indian Exchequer.

3. As regards the lighthouse tender, the necessity for which was strongly emphasised in the report of the Committee of Enquiry, dated the 29th April, 1909 (paragraph 12), and in Mr. Hood's report, there will, if it has to be provided, be a further estimated expenditure of—

	£
Initial	30,000
Annual, recurring	5,000

For the moment, however, the feasibility is being considered of employing, in lieu of a new tender, the Indo-European Telegraph Department's cable-steamer "Patrick Stewart" at a daily charge for hire of 41l. 15s. 4d. It is calculated that to make one tour of the lighthouses would occupy fifteen days. I am to suggest that it should be explained to the Lords Commissioners how the matter stands, and a further communication promised to them as soon as possible. But it should be clearly understood that a lighthouse tender of some kind or another is an essential part of the scheme, though every endeavour will be made to keep the cost as low as possible.

4. Another point which is open to doubt is whether the Government of India propose to lay in the near future any further buoys (particularly at Bahrein), as

recommended in the naval commander-in-chief's letter of the 25th February, 1911, paragraph 7. Their attention has been directed to this in the telegram dated the 13th instant, of which a copy is herewith transmitted. In any case, the cost of the buoys would be small as compared with that of the lighthouses and the light-vessels.

5. As regards the location of a lighthouse at Sheikh-Shuaib, it is presumed that His Majesty's Minister will receive such instructions as Sir E. Grey may think suitable as to approaching the Persian Government.

6. A copy of this letter is being communicated to the Admiralty.

I am, &c.

R. RITCHIE.

Enclosure 1 in No. 97.

Statement of Cost for Lighting and Buoyage of Persian Gulf.

RECOMMENDATIONS made in correspondence ending with telegram of the Government of India, dated August 21, 1911.

1 Locality.	Nature of Proposal.	First Cost.	Annual Maintenance.	Remarks.
1. Shat-el-Arab ..	(a.) 1 acetylene gas-buoy at inner bar	£ 600	£ 40	See Mr. Hood's estimate on p. 8 of printed report of June 28, 1909.
2. Musandim (Little Quoin) ..	(b.) 1 light-vessel ..	9,500	650	Ditto, p. 8.
3. Tamb Island ..	1 lighthouse ..	12,500	400	Ditto, p. 5.
4. Sheikh Shuaib ..	1 " ..	7,500	350	Ditto, p. 6.
5. Bushire ..	1 " ..	8,000	400	Ditto, p. 7.
	1 light-vessel ..	9,500	650	Ditto, p. 8.
Total ..	.. ..	47,600	2,490	
6.	1 lighthouse tender ..	30,000	5,000	Ditto, p. 2. This is provided for on the assumption that the "Patrick Stewart" cannot be employed.
Grand Total ..	.. ..	77,600	7,490	

Enclosure 2 in No. 97.

Selection of Correspondence as to the Lighting and Buoyage of the Persian Gulf.

(1.)

*Naval Commander-in-chief to Government of India.**

(Secret.)

Bombay, February 25, 1911.

WITH reference to the telegrams from the political resident in the Persian Gulf from Fao, dated 21st, 22nd, and 23rd instant, relative to the proceedings of the Turkish gun-boat "Marmaris" in connection with the buoyage of the River Shat-el-Arab, be pleased to acquaint his Excellency the Viceroy and Governor-General of India in Council that it appears necessary to take steps as soon as possible towards putting the lighting and buoyage of the Persian Gulf upon a satisfactory footing.

2. The recent development of events in the Shat-el-Arab points to the imminence of the danger that Germany will press the local authorities to establish the necessary safeguards for navigation independently of us, and that she will thus by degrees undermine the position of Great Britain as paramount Power in the Gulf. It is obvious that if Germany had wished to act in a friendly manner, her complaints about the buoys and the difficulties of the bar would have been addressed to the

* Communicated to Foreign Office and Admiralty, March 23, 1911.

British instead of to the Turkish Government, as it is common knowledge in the Gulf that the Shat-el-Arab is surveyed and the buoys maintained by British and not Turkish authorities.

3. That which has occurred in this instance may well be done in other cases, and the only way to prevent a repetition is to forestall the Germans by taking action ourselves. We cannot expect to maintain an exclusive position in the Gulf unless prepared to pay something towards it, and the most pressing needs at present appear to be the provision of some system of lights and buoys as safeguards to navigation, and the installation of wireless telegraphy to facilitate communications. With regard to the latter I have already placed my views before his Excellency in Council in my letter of the 4th February, 1911.

4. The lighting and buoys question was investigated by a committee consisting of the political resident in the Persian Gulf, the captain of His Majesty's ship "Sphinx," the officer in charge of the Marine Survey of India, and a representative of Trinity House, who reported on the 29th April, 1909. The lights proposed by the committee in order of importance are:—

Shat-el-Arab bar, L. V. and four buoys.
Musandim (Little Quoin).
Muscat.
Bushire.
Sheikh Shuaib.
Ras-as-Mutaf.
Tamb.
Kubbar Island (Koweit).
Ras-al-Arz (Koweit).
Bahrein.
Lingeh.
Dibai.
Bunder Abbas.

I consider that this order should be slightly varied for political reasons, and that it is now necessary first of all to provide a line of lights that will facilitate the passage of ships up and down the Gulf.

5. If the lights be provided at Musandim (Little Quoin), Tamb, and Sheikh Shuaib, and the light-vessel be placed at Bushire, all that is immediately necessary on that account will then have been done.

6. I further suggest that the light-vessel at the bar of the Shat-el-Arab be established. It may appear that the provision of the acetylene gas-buoy would be sufficient for all purposes, but if the navigation of the entrance to the Shat-el-Arab is to be placed upon a thoroughly satisfactory footing, a light-vessel moored about 4 miles to seaward of the outer bar buoy will be an absolute necessity. Without a vessel of this kind it is always difficult to pick up the buoy in thick weather, and it is desirable to have someone always on the spot, as would be the case if a light-vessel were provided in order to prevent the Arab fishermen from interfering with the buoy. The fishermen do considerable damage to the existing buoys and carry off anything portable.

7. I would strongly recommend that the proposals of the committee relative to the lighthouse tender and the buoys in the Gulf, particularly with regard to those at Bahrein, be carried out at an early date. The provision of the other lights recommended by the committee might be proceeded with as convenient, but should not be unduly delayed.

8. The question as to dues to be paid for the lights when established is difficult to solve, and is a matter upon which I can offer very few suggestions. It would appear that the only possible way in which to levy dues so that they may fall equally upon all ships, both British and foreign, is to collect them through the local authorities. This might be done by the Persian Customs at Bushire, or, in the case of ships which do not call there, at any Persian port at which they may touch, or at Muscat. It might be possible to levy a small due at Bahrein and Koweit, through the sheikhs, for the local buoyage and lights. Under any circumstances, since we cannot levy the dues in our own ports, it must be a matter of agreement with all the Powers concerned, and if we establish an efficient lighting service, it is improbable that any great difficulties will be made with regard to the collection of these dues.

9. I consider the improvement and safeguarding of the navigation in the Gulf to be so important that the establishment of these lights should be undertaken as soon as

possible, without waiting for the settlement of the question of light dues. Something may be risked, but it is so necessary to establish our control over the Gulf beyond the possibility of interference by other Powers that I respectfully submit that it is worth the risk.

(2.)

*Lieutenant-Colonel Cox to Government of India.**

(Telegraphic.) P.

YOUR endorsement, dated the 2nd March.

March 17, 1911.

I endorse the view expressed in final sentence of fourth paragraph of Commander-in-chief's letter, and agree that the four items mentioned in the fifth paragraph will form best skeleton scheme to start with, with reference to the point of view of navigation as well as present political developments. Should it not be possible to commence the three lighthouses simultaneously, recent opinions expressed to me by navigators incline me to think that they would prefer to get Tamb and Sheikh Shuaib before Musandim, the last-named being the easiest to pick up in the dark. I concur generally in paragraphs 6 and 7 of admiral's letter, and especially agree as to necessity for the scheme being proceeded with, without waiting for settlement of problem as to dues to be levied, since this is a question which is only capable of adjustment after full discussion as the scheme develops.

(3.)

Government of India to Secretary of State.

(Telegraphic.) P.

Persian Gulf buoying and lighting.

April 27, 1911.

Please see my telegram dated the 14th instant. Reference is invited to telegram dated the 17th ultimo from resident, Persian Gulf, forwarded with weekly letter, dated the 23rd ultimo, from Secretary to Government of India, Foreign Department Recommendations of resident and naval commander-in-chief have my general support, particularly in view of activity in improving buoyage and lighting of Shat-el-Arab, which is at present being displayed by Turks. But construction, simultaneously with others, of lighthouse at Musandim, seems to me preferable. I consider it better, with reference to proposal of Admiral that light-vessel should be placed at bar of Shat-el-Arab, to wait first and see whether Turks place their light-ship properly, and whether it is maintained in perfect order by them. I would invite attention to remark of committee, that as regards Sheikh Shuaib, it would be necessary to approach Persian Government. Instructions are solicited, before detailed estimates are prepared, as to actual measures which His Majesty's Government consider necessary. Expenditure involved should, it is also recommended, be borne by Indian and Imperial Exchequers in equal shares. We will submit later a further report as to possibility of obtaining a Royal Indian marine vessel suitable for conversion into lighthouse tender. See report by Mr. Hood. Enquiry is being made on this point.

(4.)

Secretary of State to Government of India.

(Telegraphic.) P.

India Office, May 10, 1911.

Please refer to your telegram dated the 27th April, 1911.

I recognise in all the circumstances that time has arrived when it is no longer possible to defer scheme having for its object lighting of Persian Gulf. Recommendations in your telegram are generally approved, with concurrence of Foreign Office, and you are requested to furnish as soon as possible detailed estimates in accordance therewith. Also consulting Admiralty. After your estimates have been considered the Treasury will be approached.

* Communicated to Foreign Office and Admiralty, April 10, 1911.

(5.)

Secretary of State to Government of India.

India Office, June 10, 1911.

(Telegraphic.) P.

Please refer to my telegram dated the 10th May, 1911.

In a letter dated the 20th ultimo to Foreign Office, copy of which was enclosed in Secretary's letter, dated the 2nd instant, Admiralty concur in proposal that Musandim lighthouse should be constructed simultaneously with two other lighthouses; but they are of opinion that purposes of a British light-vessel 4 miles seaward of outer bar buoy, Shat-el-Arab, would not in any way be answered by Turkish light-vessel close to that buoy. Reference is also invited to Admiral Slade's letter to Admiralty of the 11th ultimo, paragraph 5. I shall be glad to have your view as to acetylene gas-buoy at inner bar, also recommended by the admiral in his letter, and to learn whether you have any further observations as to British light-vessel. You might include provisionally in your estimates the cost of both.

(6.)

Government of India to Secretary of State.

June 27, 1911.

(Telegraphic.) P.

Persian Gulf buoying and lighting.

See your telegram dated the 10th instant.

I agree after a further enquiry both as to provision of acetylene gas-buoy at inner bar, and as to desirability of British light-vessel being placed as recommended by admiral, 4 or 5 miles to seaward of gas outer buoy. Further enquiry is being made, there being some difficulty as to preparation of detailed estimates, and a further report will be sent.

(7.)

Secretary of State to Government of India.

India Office, August 11, 1911.

(Telegraphic.) P.

See your telegram dated the 27th June last.

Please let me have as soon as possible estimates as to gas buoy and light-vessel in Persian Gulf. Admiralty express themselves in favour of both; see their letter of the 4th instant forwarded with letter of the 11th instant from secretary. Political Department, India Office. With a view to avoidance of international difficulties, Admiralty consider that inner bar buoy, laying of which was reported to you by Admiral Slade in his letter of the 19th May, and not the Turkish buoy opposite, should be replaced by gas-buoy. Presumably this was the intention of your Excellency.

(8.)

Government of India to Secretary of State.

August 21, 1911.

(Telegraphic.) P.

Persian Gulf buoying and lighting.

See your telegram dated the 11th instant.

It is impossible, I regret to say, to furnish detailed estimates or preliminary estimates of greater accuracy than those of Mr. Hooder, who studied the matter locally, for light-vessel, gas-buoy, or any other items of the scheme.

There is no vessel at our disposal available for conversion into tender for lighthouse. Please refer to our telegram dated the 27th April, 1911. Arrangements might possibly be made, though this cannot be relied on, for steam-ship "Patrick Stewart," belonging to Indo-European Telegraph Department, in one combined monthly tour, to act as tender besides performing her usual work. A single tour of the lighthouses would, it is estimated, occupy fifteen days, and daily cost of hiring the "Patrick Stewart" would be 626 rs. 8 a.

As regards gas-buoy, reply to your query is an affirmative one.

Enclosure 3 in No. 97.

Secretary of State to Government of India.

(Telegraphic.) P.

India Office, September 18, 1911.

BUOYAGE and lighting of Persian Gulf.

Refer to your telegram of the 21st August.

I am suggesting to Foreign Office that Treasury should be approached with a view to accepting a moiety of the cost on the basis of figures given by Hood of gas-buoy and light-vessel for Shat-el-Arab, light-vessel for Bushire, and lighthouses for Sheikh Shuaib, Musandim, and Tamb.

I am anxious to have your final recommendation as soon as possible as to the possibility of the "Patrick Stewart" being employed instead of the lighthouse tender.

See naval commander-in-chief's letter of the 25th February, paragraph 7. Do you contemplate immediate placing of buoys referred to therein?

See Trinity House letter of the 30th June, 1909. I think it advisable that timely consideration should be given as to ordering of plant. If necessary, Hood's advice could be taken on this matter.

[36254]

No. 98.

Enclosure in India Office Letter.—(Received September 15.)

Government of India to the Marquess of Crewe.

(Telegraphic.) P.

September 2, 1911.

PERSIAN Gulf surveys. See your telegram dated the 5th May last.

Surveys in the Persian Gulf of short duration have been undertaken in the past from time to time by the Indian Marine Survey. It is estimated that, if our two survey vessels are employed, the surveys now projected will take four years or more. In view, in particular, of urgency of surveying coast of Burmah, neglect of Indian coastal survey for so long a period is undesirable. If both vessels are employed in the Gulf, it will involve further delay of survey work in India, of which a considerable amount is still undone. We can in the circumstances only spare one vessel; as, however, this will prolong the work unduly, we should be glad to be informed whether, in order to expedite work which is of importance politically and of interest from international standpoint, and which concerns His Majesty's Government no less closely than Government of India, assistance can be given by the Admiralty detailing a vessel.

We suggest that in these circumstances the two Governments should bear the entire cost in equal shares, a similar basis of calculation being adopted for cost of employing (1) Royal Indian Marine vessel, (2) Admiralty vessel.

Please refer to your telegram dated the 3rd July, 1911; pending further instructions from you, no surveys will be carried out of the areas which it is proposed should be omitted.

[36609]

No. 99.

Mr. Graves to Mr. Braham.—(Communicated by Mr. Braham, September 17.)

Dear Braham,

Constantinople, September 4, 1911.

IN amplification of my cipher, I have a long letter to write. You may not agree with all my deductions, but I think that the theory hereafter to be developed deserves attention.

On Sunday afternoon I called upon Mahmoud Sadik, a Russian Moslem, who has done much for the Committee of Union and Progress, but has of late gravitated towards Sadik Bey's party. He told me that he and certain friends, anxious to find out what Talaat and Co. were planning, visited Talaat, and hung out deceptive hopes of reconciliation. Talaat said very plainly that the policy of Ottomanisation (i.e., Turkification) had to be pursued, though perhaps not in the same way as before. A genuine consti-

tution would put the Turks in a position of inferiority to the other communities, which were more intelligent or had greater commercial aptitudes, &c. He added that after the fall of Hakkı, whenever that might be, the Young [Turk ?] party had decided to force on a dissolution. They were weary of the present Parliament, and saw that the combination of "insurgents" and opposition would give them further trouble, especially as many deputies would show a greater independence in this the last session. In any case they distrusted the elements which were in the "Parliamentary" party. They realised too late that they had diminished the prestige of the present Sultan. They knew him for a weak and timid creature. But the dissolution of Parliament depended on Imperial consent, and that might not be given. If not, they would perhaps be able to induce him to abdicate. He was a very timid man, and they had many officers yet on whom they could rely. Even if the army majority was against them, Shevket or any other general would think twice before taking measures which might lead to one regiment firing on another.

From another source Mahmoud Sadik got the news that Talaat had had two long interviews with Yussuf Izz-ed-Din before the latter's visit to Berlin. These interviews were obtained through Dr. Behaeddin, the Prince's man of confidence, who till recently was speaking ill of the committee, but is now on the best of terms with the leaders. (I have myself seen him talking to very "advanced" officers.)

Talaat said that it might be necessary to govern this country through the prestige of Yussuf Izz-ed-Din, who would of course be surrounded and guided by a group of Young Turks. It all comes to this, that the coterie having failed to hold Parliament and gain great popularity, it must reconstitute itself as a "Mabein" or Palace camerilla (as of yore) around the next Sultan. If the present Sultan did not oppose the dissolution, he might reign longer, though the Committee of Union and Progress might not gain so largely in the elections as Talaat hoped. He admitted the possibility of some reverses.

Sadik said that the committee policy now had a double objective, or rather a single immediate objective with double secondary objective.

Immediate Objective.—Fresh elections and dissolution.

If succeeds, return of Committee of Union and Progress Government in all its glory.

If fails, abdication of Sultan Mohammed V to be followed by the conversion of the committee dominant group into a more powerful and better organised camerilla around the Throne. In any case the faction in power, or more or less so, had got to remain in *coûte que coûte*.

Sadik remarked that while liberal Western States would not like this, Germany and perhaps Austria would. *Verb. sap.*

2. That evening I dined at the club and met Durman, the admiral's secretary. Certain correspondence had passed through his hands on Saturday afternoon. It included some Turkish letters, which he had translated by a devoted Turkish officer (I may note that more Turkish each British officer here, save the useless and absentee admiral, has his "tail"), and one of which referred to the demand made by Mahmoud Moukhtar, whom we, like idiots, have been fêting in London, that the German Government should supply (1) a "corvetten-capitan," i.e., commander, who would be senior to Faught, the admiral's second, to command the torpedo flotilla (which has now no foreign instructor), and an engineering officer as "turbine expert." The German Government suggested names, which I have not obtained, nor has Durman, through Salaheddin, the Turkish naval attaché at Berlin, but said that for the moment these officers were otherwise employed, but that their services would be gladly granted to Turkey as soon as they could be spared. Meantime, could the contracts be sent for study at Berlin? It is believed by Durman's informant that work has been begun with the contracts. These, according to Salaheddin's sketch of the German counter-proposals, secured that the German officers should be paid at the same rates as the military instructors out here (1,000*l.* per annum), i.e., twice as much as all our naval men here get except Faught, and 25 per cent. more than Faught. Durman added that the anti-English party in the fleet was growing partly, he thought, on account of Williams's failure to do anything to draw his pay. (Faught up here for two days last week told that committee intrigue in the Admiralty was for a lot in it too.) He had heard some German officers the other day talking about Gwynn, former British torpedo instructor, and the Schwartzkopf torpedoes, which the Turkish "experts" had tried to make Gwynn fire out of Creusot tubes. He did in the end, to prove their folly to them, and smashed the tubes, *inde ira*.

Durman was very worried, as he had no right to know these things. Faught

and Mackinnon are at the Dardanelles, and so uncommunicable with. He did not dare send any message to Williams, now in England (9th month out of 17!), as Williams is a fool and a chatterbox, so asked me what to do. He had proposed writing to Marling, and had written the letter which he showed me. I thereon formed a plan, and we drove out like the devil in a motor to Therapia (42 minutes, with lights out part of the way), got Marling before he turned in, and put the whole business down for submission to Sir Gerard first thing Monday morning. Embassy had been warned from Berlin and London, but had got no proofs, and was therefore overjoyed. I then proposed that, seeing that under the circumstances a wire from here might be literally fatal to Durman's informant and do Durman much harm, our man at Paris or Berlin (preferably former) had best make the discovery. I therefore suggested a cipher wire to the "Times," there being little time, as Mahmoud Moukhtar would perhaps be back in four days. Marling replied that the Ambassador would probably disagree, but, speaking non-officially, if he were I he would do it. So I did. Marling wondered if Hakki was in this or if the whole business was a Moukhtar-Talaat-Djavid combination. He doubted if Moukhtar would dare it off his own bat. Faught had let them know through me that the Committee of Union and Progress intriguers were very active on shore. We all agreed that Williams, now trying to engage more British instructors and foremen without Mahmoud Moukhtar's express consent, and at the same time trying to make the Minister of Marine appoint him admiral in charge of ships building for Turkey in England—a nice soft job too—was in part the cause of our troubles. Meantime we should have to bite and bark plenty. If we backed down under Turkish pressure what would become of our prestige? Of course the German officers were the thin end of the wedge, and as soon as Williams went there would be a German admiral. So the word was to fight. I take it that this and the plans sketched in the first part of my letter are all in one piece. Moukhtar is working out the Committee of Union and Progress policy in its details. . . . It is an indication of the probable result of the possible triumph of Salonica.

Please excuse hurry, but what with the long cipher and other work on hand I have not over much time for the mail, and this, as you will realise, is a matter of urgency. We must fight every inch, and I think the "Times" should strike the first blow. If we are beaten, *tant mieux* for the enemies of Turkey, but in any case we ought to be able to make Moukhtar and the Germans sweat blood for a bit.

I wonder how this will affect the B. R. negotiations.

Yours in haste,

PHILIP P. GRAVES.

N.B.—The reported previous engagements of German officers were only the engagements of merchant skippers for the transport bought in Germany. They were hired to teach the crews the way about.

[34110]

No. 100.

Sir Edward Grey to Sir G. Barclay.

(No. 267.)

(Telegraphic.) P.

Foreign Office, September 20, 1911.

PLEASE give me your views on a suggestion made by the India Office with regard to the projected Mohammerah-Khorembad Railway.

The suggestion is that, in any negotiations in which the Persian Railway Syndicate may engage in connection with this line, they should apply not only to the Persian Government but to the Sheikh of Mohammerah at the same time. India Office consider that this should be done in the interests of the sheikh.

[34110]

No. 101.

Foreign Office to India Office.

Sir,

Foreign Office, September 20, 1911.

I AM directed by Secretary Sir Edward Grey to acknowledge the receipt of your letter of the 29th August, relative to Lieutenant Wilson's report upon the route for a railway from Mohammerah to Khorembad.

I am to state, for the information of the Secretary of State for India, that the

[36962]

No. 99*.

Sir G. Barclay to Sir Edward Grey.—(Received September 20.)

(No. 414.)

(Telegraphic.) P.

Gulahek, September 20, 1911.

I VENTURE to suggest that the draft contract of the Persian Railway Syndicate, and more especially article 4, to which I fear Sheikh of Mohammerah may take exception, be submitted to His Majesty's consul-general at Bushire.

[1510]

2 G*

views of Sir George Barclay have been requested by telegraph regarding the suggestion contained in the second paragraph of your letter, viz., that the Persian Railways Syndicate should, in any negotiation that they may engage in in respect of this line, along with their application to the Persian Government, apply simultaneously to the Sheikh of Mohammerah.

With regard to paragraph 3, the question of communicating certain parts of Lieutenant Wilson's report to the syndicate and to the Persian Transport Company, who have also asked to see it, will be considered in due course.

I am to add that Sir E. Grey concurs in the view expressed by the Secretary of State for India that comment on Lieutenant Wilson's report should be reserved until the views of the Indian Government have been received.

I am, &c.

LOUIS MALLET.

[37166]

No. 102.

Persian Railways Syndicate to Foreign Office.—(Received September 22.)

*Winchester House, Old Broad Street, London,
September 19, 1911.*

Dear Mr. Mallet,

I HAVE to acknowledge your letter of the 9th instant and to advise you that your suggested alteration in article 19 of the draft railway contract has been duly adopted, as shown in the enclosed telegram dated the 11th instant to Mr. Brown.

In addition to the above telegram, I am enclosing copies of several others exchanged with Mr. Brown subsequent to those of which you have already had copies.

Is it possible that we could be allowed to see Lieutenant Wilson's report on the route from Mohammerah to Khorremabad, as this would aid us materially in arriving at the figures which we require to put before the Treasurer-General in regard to our proposals?

Yours very truly,

C. GREENWAY, *Chairman*

Enclosure 1 in No. 102.

Mr. Brown (Tehran) to Persian Railways Syndicate.

(Private.)

(Telegraphic.)

[Received September 19, 1911.]

COMMUNICATE the following to C. Greenway:—

"Refer to our letter of the 30th August. Treasurer-general of Persia states it is very important four articles should be included in order to provide for continuity administration, finance, and development resources Persia. Treasurer-general of Persia believes he can push contract through Medjliss, but Medjliss resign the 1st November, and it is treasurer-general of Persia's opinion there will not be any other Medjliss, consequently there is no time to lose. Treasurer-general of Persia requires for Medjliss estimated cost construction each railway."

Enclosure 2 in No. 102.

Persian Railways Syndicate to Mr. Brown (Tehran).

(Private.)

(Telegraphic.)

*Winchester House, Old Broad Street, London,
September 19, 1911.*

REFERRING to your telegram of the 18th.

Do not understand attitude of treasurer-general. Does he think syndicate philanthropic? If not, where does he expect them to get their remuneration from? It appears to us that the difficulties he is raising regarding remuneration, security, gauge, &c., are with the object of making us withdraw because of other proposals. What is Hart doing? Reply at once.

Enclosure 3 in No. 102.

*Persian Railways Syndicate to Mr. Brown (Tehran).*Winchester House, Old Broad Street, London,
September 11, 1911.

(Telegraphic.)

REFERRING to your telegram of the 1st.

Article 16 was intended to cover syndicate's remuneration but to meet treasurer-general's point. Alter contract as follows:—

Referring to draft concession, p. 5, line 1, delete "actual"; p. 5, line 4, delete "for," substitute "up to"; p. 5, line 6, delete "for," substitute "also 5 per cent. upon estimated cost as aforesaid as remuneration to syndicate for its services and to cover"; p. 7, lines 5 to 13, delete from "the" to "therewith" and substitute "in event of aggregate amount paid by syndicate under any such contracts and in respect of interest and expenses being less than estimated as in article 13, syndicate shall, when railway completed and opened, at their option either pay Persian Government cash equivalent at 87½ per cent. of nominal amount bonds issued in excess of such aggregate amount, or deliver such excess in bonds at par. If such aggregate amount greater than estimated costs, Government shall, when called upon by syndicate, issue to syndicate additional railway bonds similarly secured at 87½ per cent. to satisfy difference"; page 8, lines 14, 15, delete from "the" to "syndicate," substitute "such revenue of Southern Persia as may be applicable to the purpose and be approved."

Enclosure 4 in No. 102.

Mr. Brown (Tehran) to Persian Railways Syndicate.

(Telegraphic.)

[Received September 11, 1911.]

FOLLOWING are proposals of treasurer-general:—

Referring to draft concession, p. 2, line 26, delete "free of cost." Referring to draft concession, p. 2, line 29, after "works" add "syndicate reimbursing Government such reasonable outlays if any." Referring to draft concession, p. 2, line 31, delete "import duties," insert (in) in article 5 "customs duty according to tariff to be paid by syndicate and included in costs." Referring to draft concession, p. 4, line 1, delete from "use" to end of line. Article 11, strongly recommends four months twelve months respectively. Article 12, gauge to be decided when estimate submitted. Referring to draft concession, p. 4, lines 17, 18, 19, delete "may" to "situate," substitute "shall be of first-class construction and workmanship adapted to the class and needs of the country traversed"; p. 5, line 19, delete "six," substitute "three"; p. 6, line 15, after "per cent." insert "which syndicate hereby agrees to accept at that rate"; p. 6, line 22, delete "six," substitute "three"; p. 7, lines 5 to 13, delete from "the" to "therewith"; article 17, delete from "upon" to "issued," substitute "railways to be completed three years from date of delivery of bonds to syndicate," delete "notified"; p. 7, line 32, after "per cent." insert "net"; p. 8, line 6, "date to be fixed for amortisation at ½ per cent. (per annum) of the bonds, which shall be approximately five years after proposed date for opening road for public traffic." Article 20 proceeds: "of these bonds to be deposited to the joint order of Government and the syndicate. Draft thereon to be authorised by both (of). Syndicate to send reasonable requisition as required from time to time to the Government, and the Government undertakes to authorise same. Interest on these funds to be accounted for to the Government." P. 12, line 2, delete "gross," substitute "net"; p. 12, line 22, treasurer-general questions expediency of insurance. Cancel article 33: "Rate to be fixed by mutual agreement. Treasurer-general suggests as part security post and telegraph revenue, and all revenue arising from Government interests D'Arcy's concession."

I foresee difficulties regarding southern customs, which will be required for future loan to keep Government afloat. Treasurer-general strongly recommends insert in agreement all four articles enclosed in referring to my letter of 30th ultimo.

Enclosure 5 in No. 102.

*Persian Railways Syndicate to Mr. Brown (Tehran).*Winchester House, Old Broad Street, London,
September 14, 1911.

(Telegraphic.)

REFERRING to your telegram of the 11th.

Referring to draft contract concession enclosed with letter dated the 17th August, 1911, p. 2, line 22, after "land" insert "and other land belonging to Government free cost"; p. 2, lines 24 to 29, delete "the" to "works." Article 5 must stand. We consider its deletion extremely unsound, because would increase cost and bond issue considerably, and render remunerative working more difficult and depreciate issue price bond. P. 3, line 32. p. 4, line 1, delete "together" to "import." Article 11, agree "4," but "18" must stand owing to difficulties weather and insecurity. P. 4, line 15, insert after "gauge" "which gauge to be decided when estimate(s) submitted. P. 4, lines 17, 18, 19, delete "the" to "situate," insert after "rack" "and shall be of first-class construction and workmanship adapted to the class and need(s) country traversed." P. 5, line 19, agree(s) to "3." P. 6, line 15, agree(s) to your insertion (in). P. 6, line 22, agree(s) to "three." P. 7, line , article 17, rider to must stand, as it is impossible to fix period before completion survey. Page 7, line 32, agree net. P. 8, line 6, agree ½ per cent.; p. 8, line 7, after "the" insert "date on which it is anticipated (that) the," delete "shall have been," substitute "will be." Article 20, line 17, after "the" insert "joint," after "of" insert "Government and." Line 18, delete "applied," insert "paid to." Line 23, after "hereof" insert "Syndicate to send reasonable requisition as required from time to time Government, who undertakes to authorise payment of same within fifteen days thereafter. Interest on proceed to be accounted for to the Government and be applied either in payment of outlay mentioned in article 19 or in payment of subsequent interest of bond." P. 12, line 2, gross absolutely essential; syndicate not philanthropic. P. 12, line 22, insurance usual, no other fund(s) available for possible damage(s) to line(s) and customer. Article 33, agree stop. P. 11, line 17, delete "the said," insert "such"; line(s) 17, 18, delete "or" to "them"; line(s) 19, substitute "½ per cent." for "1 per cent."; line(s) 26, delete "so"; line(s) 26, 27, 28, delete "as" to "thereby," substitute "in a proper and efficient manner."

Enclosure 6 in No. 102.

*Persian Railways Syndicate to Mr. Wood (Tehran).*Winchester House, Old Broad Street, London,
September 14, 1911.

(Telegraphic.)

COMMUNICATE the following to D. Brown:—

"(Private.)"

"Referring to your telegram of 11th September, after word 'agreement' to end. In view of desirability completing contract earliest possible moment, and present inability Persian Government offer security that would provide adequate marketable basis for bond issue, it is necessary leave question of security open, and to conclude contract in accordance with present wording article 19. Similarly suggested four articles referred to in your letter of 30th August will be dealt with at same time. In the meantime, however, arrange with treasurer-general to reserve post telegraph W. K. D'Arcy's concession as collaterals to main security eventually arranged. Telegraph estimate of post telegraph revenues."

Enclosure 7 in No. 102.

Mr. Brown (Tehran) to Persian Railways Syndicate.

(Telegraphic.)

[Received September 8, 1911.]

TREASURER-GENERAL strongly objects article 5, which will (would) lead to endless difficulties and friction. As an alternative suggests, but does not recommend, that detailed lists of articles to be imported duty free giving actual weights of

the rails, bolts, &c., must be submitted for approval with the estimate. Referring to draft contract concession, p. 5, line 6, under no consideration can he accept remuneration clause. Page 7, line 5, to end of article, is not sufficiently definite; it should be stated in event of cost being less than estimate, syndicate has the option of refunding difference in cash or in bonds at 87½ per cent. Page 4, line 15, width gauge should not appear in contract, because should it be decided later adopt different width, it would be necessary obtain permission *pari passu*. Page 4, line 21, delete "or," substitute "and/or." Page 14, lines 21, 22, 23, delete from "be" to "the tariff rates must be fixed currency country." Page 12, line 2, will not agree gross but agrees to net, not as remuneration, but as a bonus giving syndicate monetary interest in economical working and development railways. Page 12, line , treasurer-general considers insurance of lines and stations bad finance, but under no circumstances should customers be insured. Page 8, line 14, delete "Southern Persia."

Treasurer-general states that it is essential (to) security for at least first railway should be fixed in contract, otherwise syndicate might postpone construction on plea security not approved. For subsequent lines clause will be necessary that, should security offered not be approved by syndicate, Government to have right to offer identical security to others, and should it be accepted by them, Government will be free give construction of such lines them. Treasurer-general proposes following securities: post and telegraph, present net revenue 120,000 tomans, but should yield 250,000 under new English Telegraph Administrator. Persian Government's interests, D'Arcy's concession, first charge on up to 100,000*l.* per annum, every and any net revenue which may be established. This does not include opium receipts, estimated at about 400,000 tomans, which treasurer-general wishes to retain for other purposes, but if absolutely necessary he will give them also. Treasurer-general insists upon veto, but suggests proviso that should anything vetoed not be approved by railway general manager it should be submitted to arbitration.

[37161]

No. 103.

Board of Trade to Foreign Office.—(Received September 22.)

(Confidential.)

Sir,

Board of Trade, September 21, 1911.

I AM directed by the Board of Trade to refer to your confidential letter of the 31st August, with enclosures, respecting the proposed Trans-Persian Railway.

With reference thereto I am to say that the Board presume that the predominant considerations with regard to this matter are political rather than commercial.

From a strictly commercial point of view (from which alone this department has examined the question), an undertaking on the part of His Majesty's Government to guarantee the line would appear to be justifiable only on the ground either that the railway would ultimately be a remunerative enterprise, and therefore deserving of support during a preliminary period of loss; or alternatively that, although itself remaining unremunerative, it would be likely to prove of substantial advantage to British trade as a whole by opening up and facilitating access to new markets. On neither ground does it appear possible for any sufficient case in favour of the proposed line to be made out to enable a Government guarantee to be defended on a purely commercial basis, and the Board see no reason to modify the opinions expressed in their letter of the 13th September, 1910, as to the commercial prospects of the undertaking.

I am, &c.

H. LLEWELLYN SMITH.

[37218]

No. 104.

Enclosure in India Office Letter.—(Received at Foreign Office, September 23.)

Rear-Admiral Sir E. Slade to Government of India.

(Confidential.)

Sir,

"Highflyer," at Colombo, August 6, 1911.

WITH reference to the letter of the political resident in the Persian Gulf, dated the 19th May, 1911, addressed to the naval commander-in-chief, relative to the survey

[37197]

No. 103A.

Sir G. Barclay to Sir Edward Grey.—(Received September 22.)

(No. 421.)

(Telegraphic.) P.

Gulahek, September 22, 1911.

PERSIAN Railways Syndicate.

In reply to your telegram No. 272 of the 21st September, I have the honour to report that the Persian Railways Syndicate is now asking for the following security: Telegraphs, interest in the Anglo-Persian Oil Company held by the Persian Government, and any [and every*] new revenue which may be created, the annual return of which will reach 100,000*l.*

[37199]

No. 103B.

Sir G. Barclay to Sir Edward Grey.—(Received September 22.)

(No. 422.)

(Telegraphic.) P.

Gulahek, September 22, 1911.

IT is, I find, treasurer-general who is offering, and not, as erroneously stated in my telegram No. 421 of to-day's date, syndicate which is asking for securities outlined.

* These two words were omitted in my draft of the telegram.—G. B.

and lighting of the port of Bushire, a copy of which has been sent to the Government of India, be pleased to acquaint his Excellency the Viceroy and Governor-General of India in Council as follows:—

2. From the experience gained of the light buoy now established on the outer bar of the Shatt-al-Arab, it would seem that a similar buoy at Bushire in the outer anchorage would equally well serve all the purposes of navigation at the latter port.

3. The buoy in question appears to have mechanism attached to it by which the light can be occulted at any desired intervals, and the possibility thus avoided of it being mistaken for any ship or shore light. A light buoy would of course be far cheaper to provide in the first instance and to keep running than a light-vessel. At the same time, it is a matter for consideration whether it might not be better, from a political point of view, to provide a light-vessel, as being more imposing and more likely to enhance British prestige than a mere buoy. The light-ship would fly the British ensign, and her nationality would thus never be mistaken; while soon after the establishment of a buoy, its ownership would probably be forgotten by all except the authorities immediately responsible for its maintenance.

4. A light-ship at Bushire would have the further advantage of supplying a possible means of communication between the outer anchorage and the shore—a thing which would be of great convenience at Bushire, where signalling between the ships and the shore is often impossible owing to the haze and distance.

It is further suggested that if she were supplied with a short-distance wireless telegraphy set, which is not expensive, she would always be in communication with the Bushire telegraph station when the proposed wireless telegraphy installation has been erected there.

I have, &c.

EDMOND J. W. SLADE.

[37341]

No. 105.

Sir G. Lowther to Sir Edward Grey.—(Received September 25.)

(No. 643.)

Sir,

Therapia, September 20, 1911.

THE Grand Vizier yesterday told me with evident gratification that his Government had received satisfactory replies from the Russian and German Governments with regard to the arrangement recently concluded between them regarding the Khanikin junction railway.

On the conclusion of the arrangement the Ottoman Government had called the attention of those Governments to the fact that, as the line in question was to be constructed on Ottoman territory, the exclusion of this Government from all participation in, and knowledge of, the arrangement seemed singular.

His Highness said that the Russian Government had replied that, as the German Government was giving the undertaking, referring presumably to those contained in article 1, they supposed that the Ottoman Government had been duly notified beforehand by that Government.

The German Government had, through its chargé d'affaires here, sent a note stating that, the line in question being Ottoman, they had had no intention in the smallest degree of encroaching on Ottoman sovereignty.

The "Tanin" has also mentioned the matter, and added that the omission to communicate the intention of the arrangement had been explained in the German note as being due to the absence of Herr von Kiderlen Waechter from Berlin at the time, but expressed the hope that such misunderstandings might not be repeated.

I have, &c.

GERARD LOWTHER.

[37861]

No. 106.

Papers communicated by Mr. Greenway September 27, 1911.

(1.)

Mr. Brown (Tehran) to Persian Railways Syndicate.

(Private.)
(Telegraphic.)

[Received September 19, 1911.]

COMMUNICATE the following to C. Greenway:—

"Refer to our letter of the 30th August. Treasurer-general of Persia states it is very important four article should be included in order to provide for continuity administration, finance, and development resources Persia. Treasurer-general of Persia believes he can push contract through Medjliss, but Medjliss resign the 1st November, and it is treasurer-general of Persia's opinion there will not be any other Medjliss; consequently there is no time to lose. Treasurer-general of Persia requires for Medjliss estimated cost construction each railway."

(2.)

Persian Railways Syndicate to Mr. Brown (Tehran).

(Private.)
(Telegraphic.)

*Winchester House, Old Broad Street, London,
September 19, 1911.*

Referring to your telegram of the 18th. Do not understand attitude of treasurer-general. Does he think syndicate philanthropic? if not, where does he expect them to get their remuneration from? It appears to us that the difficulties he is raising regarding remuneration security gauge, &c., are with the object of making us withdraw because of other proposals. What is Hart doing? Reply at once.

(3.)

The Imperial Bank of Persia (Tehran) to Mr. Brown (Tehran).

(Private.)
(Telegraphic.)

[Received September 20, 1911.]

Communicate the following to C. Greenway:—

"W. Morgan Shuster says remuneration syndicate is profit rate of issue of the loan 5 per cent. nett receipts railways and one-half nett receipts in excess of 5 per cent. interest on capital employed, which treasurer-general of Persia considers ample remuneration. W. Morgan Shuster says H. G. Hart has talked to him about proposal international syndicate, but up to the present has submitted nothing definite. Believed not to be serious."

(4.)

Persian Railways Syndicate to Mr. Brown (Tehran).

(Telegraphic.)

*Winchester House, Old Broad Street, London,
September 22, 1911.*

Referring to your telegram of the 18th:—

Article 5 we agree (to) submit for approval with estimates lists of articles to be imported free, but cannot give actual weight, &c. Suggest import certificate signed by syndicate manager same as Anglo-Persian Oil Company (Limited) stating articles required for construction and working will meet case. P. 5, line 6, remuneration on construction *sine quâ non*, other remuneration indicated problematic and quite inadequate for risks involved; but if treasurer-general wishes cover it, suggest(s) it should be included in estimates under article 13. P. 7, line 5, agreed to in cash or in bonds at 87½ per cent. P. 4, line 15, delete from "of" to "or," substitute "not more than." Syndicate would under no consideration agree finance wide gauge which some Persians want because (of) cost absolutely prohibitive and remunerative working impossible, also quite unsuited mountainous country.

P. 4, line 21, insert (in) "and/or." P. 14, line 21, after "be" insert (in) "fixed in currency country." P. 14, line 23, delete "be fixed," substitute, if necessary, "be adjusted." P. 12, line 2, must be gross as otherwise syndicate might get no remuneration during working for several years. Payment on nett absolutely unsound because (of) inducement to starve upkeep and consequent endless disputes. Veto power conceded treasurer-general afford ample protection Government. page 12, line 22, delete "or passenger"; p. 8, line 14, delete "Southern Persia." Impossible fix contract more definitely at present because (of) Government. Cannot now offer security showing at present revenue adequate income for service bonds, nor can cost be estimated before gauge settled and survey made. First railways probably require bond issue 4,000,000l., requiring 200,000l. for service, whereas post telegraph opium offered only now yielding 100,000l., 4,000l. D'Arcy concession nil. Therefore if it is desired conclude contract speedily there is no alternative but to leave security to be arranged later. Page 14, line 29, insert "should treasurer-general object to any payments made or to be made in connection with working, maintenance, or replacement of the line to which objection syndicate shall not agree, question in dispute shall be referred to arbitration." Article 24, add rider "should security offered by Government for bonds to be issued for construction lines, secondly, thirdly, fourthly described be in opinion syndicate inadequate, Government shall be at liberty (to) offer bonds third parties price not less than 87½ per cent. proceeds issue up to 87½ per cent. nominal value shall be dealt with similarly as mentioned." Article 20, "for the purpose of enabling syndicate construct such line." All term(s) relating (to) construction and payment for construction line first herein described shall [so far as applicable] apply (to) construction and payment line irrespective (of) which bonds issued.

(5.)

Persian Railways Syndicate to Mr. Brown (Tehran).

*Winchester House, Old Broad Street, London,
September 23, 1911.*

(Telegraphic.)

Referring to our telegram of the 22nd:—

For "p. 14, line 29," read "p. 13, line 30."

(6.)

Persian Railways Syndicate to Mr. Brown (Tehran).

(Private.)
(Telegraphic.)

*Winchester House, Old Broad Street, London,
September 23, 1911.*

"First source remuneration very problematic, and might be loss owing unsettled future country; second, would not mature five years, and then very small; third, nil. On these terms syndicate would not consider business at all. Point out first source purely finance profit, and that several years' services on construction work must be separately and adequately remunerated, and also subsequent expert working. You have not explained treasurer-general's attitude. He is apparently hostile, otherwise would not raise these impossible objections. Referring to your telegram of the 19th, agreeable include articles subject to approval Foreign Office. Will telegraph shortly."

(7.)

Mr. Brown (Tehran) to Persian Railways Syndicate.

(Telegraphic.)

[Received September 25, 1911.]

Referring to your telegram of the 22nd.

Article 5, treasurer-general agrees to importation materials clearly necessary for the actual construction of line stations, telegraph, telephone(s), fence(s) machinery duty free, all other articles to pay duty, and, if found necessary for railway equipment(s), duty to be included in bond issue. Treasurer-general insists (upon) that syndicate not being railway, engineer(s) should not expect remuneration as constructors; their remuneration should come from financial transactions. Suggests as alternative that

technical features contract be settled, leaving price(s) bond(s) later determination; for instance, firm(s) price(s), 86l. 10s., might be acceptable (to) for issue(s) first line. Government willing (to) pay reasonable office(s) expenses syndicate, London. Treasurer-general agrees to 7½ per cent. nett receipts contract should leave gauge wholly free for determination construction engineer with knowledge (of) funds available. Treasurer-general considers your estimate(s), 4,000,000l., for first line very excessive, in view of nature of country, which mostly flat; 8,000l. mile very outside for metre gauge. Treasurer-general very well disposed towards the railways, and determined to put contract through. Treasurer-general insists (upon) time limit which may be liberal one, for completion first line. Parliament dissolves 23rd October. Acknowledges receipt of the altered copy of the draft contract enclosed with our letter No. 5.

(S.)

Persian Railways Syndicate to Mr. Brown (Tehran).

*Winchester House, Old Broad Street, London,
September 26, 1911.*

(Telegraphic.)

Referring to your telegram 25th: duty.

We accept. Syndicate performs three functions—first finance, second management and supervision, construction, third future management working railway. Remuneration for first will be covered in price bonds; second will involve immense work extending over number of years another similar contract provided for 15 per cent. on gross expenditure plus 5 per cent. on all material purchased abroad, if treasurer-general prefers we can arrange 5 per cent. to be included in contractor's estimate, but syndicate must be separately remunerated for this work in addition to office expenses. Syndicate do not anticipate profit on bond issue and if necessary you can agree refund to Persian Government difference between purchase price and actual nett proceeds realised allowing 1 per cent. to syndicate for expenses; third we cannot accept less than 10 per cent. on nett receipts before paying bond service with reasonable minimum, say 10,000l. per annum. Gauge, we agree. Impossible make reliable estimate before actual survey, but flat country very difficult, necessitates bridging two wide rivers, and intervening country badly cut up by water courses. Time limit difficult fix before survey, but if absolutely necessary we agree six years from approval survey.

[36606]

No. 107.

Sir Edward Grey to Sir G. Barclay.

(No. 119. Secret.)

Sir,

Foreign Office, September 27, 1911.

I TRANSMIT to you herewith copy of a letter and its enclosures from the India Office,* respecting the proposal for the buoyage and lighting of the Persian Gulf, with the details of which you have been kept acquainted by the print sent to you in the Secret Series.

You will observe that the scheme now recommended by the India Office includes the erection of a lighthouse on the island of Sheikh Shuaib, at an estimated cost of 8,000l. For this it will be necessary to approach the Persian Government. You should therefore take an opportunity of explaining the matter to them; but if, in your opinion, the present moment is not a favourable one, you should use your discretion as to when the communication should be made.

I may add, for your information, that, in accordance with the suggestion contained in paragraph 2 of the India Office letter, I am requesting the Lords Commissioners of His Majesty's Treasury to accept a moiety of the necessary charges as a charge against British revenues, in view of the importance of the matter and the necessity for speedy action in order to forestall possible action by another Power.

I am, &c.

E. GREY.

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* No. 97.

No. 108.

[37882]

Sir G. Barclay to Sir Edward Grey.—(Received September 28.)

(No. 443.)

(Telegraphic.) P.

PERSIAN Railways Syndicate.

Please refer to Foreign Office letter of 11th July to India Office.

I have the honour to report that M. Poklewski enquired on 26th September what progress syndicate was making. I deemed it more advisable to inform him in reply of the main features of the scheme than to pretend to be ignorant of the matter, to allow him to find out from other sources. Now that the negotiation has made some progress, I venture to suggest that it might be more politic to be in the Russian Government. When I read Foreign Office letter under reference, the print I felt that Russia might take umbrage at the course adopted, but I did not mention my apprehensions, as it seemed unlikely that the Medjliss would accept the scheme. Treasurer-general has now, however, acquired such influence over this body that as soon as an agreement is reached with the syndicate there may not be great difficulty. In these circumstances, I beg to submit that the discussion which Russia was promised when we were applying for an option only will be difficult after the scheme has been accepted by the Medjliss, and when only signature is required to make the contract a *jait accompli*.

Gulahek, September 28, 1911.

No. 109.

[38185]

Sir G. Barclay to Sir Edward Grey.—(Received September 30.)

(No. 452.)

(Telegraphic.) P.

Gulahek, September 30, 1911.

WITH reference to your telegram No. 267 of the 20th September and to my telegram No. 414 of the same date, I have the honour to state that I do not consider it necessary to make an application to the Sheikh of Mohammerah. Such a step would, moreover, offend the Persian Government.

We should, however, I think, keep the sheikh informed of developments, and due care should be exercised to see that his rights are safeguarded.

It would, I also think, be well to inform sheikh of the Persian Railway Syndicate's negotiations with the Persian Government as soon as possible. Sheikh will doubtless then communicate with the Central Government, and demand to be consulted in the matter.

Foregoing suggestions are made after consultation with His Majesty's consul-general at Bushire.

I should be glad to know whether I am authorised to bring the negotiations to the notice of Sheikh Kha'zal. Syndicate's agents in Tehran will, of course, be kept informed of the steps I take, and I shall endeavour to suit their convenience as to the moment for notifying Sheikh Kha'zal.

[1510]

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